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Colombo Regime Resigns in Italy In Coalition Split

ROME, Jan. 16 (NYT).—The government of Premier Emilio Colombo resigned yesterday because of strains within the center-left coalition on which it was based.

President Giovanni Leone requested that Mr. Colombo and his ministers remain as a caretaker cabinet, and announced he would start consultations with political leaders tomorrow before designating a new premier.

Italian commentators suggested that the newly elected president may ask Mr. Colombo to succeed himself by shuffling his government. If this fails, the observers said, Mr. Leone may turn to Paolo Emilio Taviani, minister of southern Italy in the outgoing cabinet, or former Premier Mariano Rumor.

Both men are middle-of-the-road members of Mr. Colombo's Christian Democratic party, Italy's strongest political movement.

Leaders of the four parties that supported the Colombo government are expected to advise Mr. Leone that an attempt should be made to continue their center-left alliance.

The four groups that have jointly governed Italy for most of the last seven years are the Christian Democrats, Socialists, Social Democrats and Republicans. The decision by the smallest of the four parties, the Republicans, to withdraw backing of the Colombo government precipitated the present crisis.

Factional Fights

Other factors were factional feuds within the Christian Democratic party and tensions between this group and the three other parties in the government camp. Disagreement over strategy with regard to the Communist party was a major cause of these frictions.

The dissent in the coalition became glaringly apparent during the 16-day presidential election last month. Mr. Leone, a Christian Democrat, became head of state on the 22d ballot after his party decided to withdraw its original nominee, former premier Amintore Fanfani.

The government crisis means that parliament, which was due to reconvene on Tuesday for the first time since the presidential election, remains adjourned pending the nomination of a new cabinet.

The Colombo government was the 32d since the fall of the monarchy in 1946. It stayed in power for more than 17 months, considerably longer than the average 10-month lifespan of Italian governments during the last 25 years.

Government Paralyzed

Government action has been virtually paralyzed since the presidential election. One consequence was that Mr. Colombo was unable to meet with President Nixon, as had been planned, during Mr. Nixon's series of consultations with allied leaders prior to his upcoming trips to Peking and Moscow. The Italian premier had been invited to Washington for such a consultation. However, a firm date could not be set because of the unstable situation in Rome.

Instability may continue, if no efficient administration on the basis of the center-left formula can be set up. Mr. Leone may disband parliament and call new elections.

Mr. Sadat named Mr. Sidky as first secretary. Mr. Marel is agriculture minister and deputy premier in the outgoing cabinet.

Mr. Sadat named Mr. Fawzi as vice-president and gave him a post he held formerly—presidential adviser on political affairs.

In other moves the committee also unanimously approved:

• The resignation of its first secretary, Mohammed Abdel Salam el-Zayyat, who will receive an executive post in the new cabinet.

• Elected Sayed Mar: as first secretary. Mr. Marel is agriculture minister and deputy premier in the outgoing cabinet.

The sources said: Mr. Sadat reshuffled his cabinet because he wanted a younger group of ministers to guide the country in the conflict with Israel.

Post-Devaluation Alignment by IATA

Atlantic Air Fares in Dollars to Rise 7 Pct.

GENEVA, Jan. 16 (NYT).—The cost in dollars of international air fares will be raised by up to 7 percent as a result of last month's realignment of world currencies, the International Air Transport Association announced yesterday.

The increases will apply to the already announced package of fares that the world's major airlines completed before the International Monetary Fund's agreement of Dec. 18, which agreed on an 8.67 percent devaluation of the dollar.

fare adjustments in other currencies—effective April 1—will be "modest," with some of them being downward, said IATA, the air industry's trade association.

Fares for North Atlantic travel from United States East Coast cities are scheduled to go up by 7 percent across-the-board. An IATA spokesman said that this part of the accord reached by the airlines at a 10-day session



United Press International
NEW REIGN—Danish Queen Margrethe II, husband Prince Henrik and two sons saluting the crowd from balcony of Amalienborg Palace in Copenhagen Saturday.

Margrethe II Denmark's Queen

Brief Ceremony Is Sole Rite

she asked the help of God and the Danish people.

"The love and thoughtfulness which was shown him by the Danish people was a cornerstone for his work and I hope it will also be a cornerstone for my love. The strength of Denmark."

Mr. Krag led the crowd, estimated by police at 50,000, in three times three cheers.

Margrethe seemed barely able to raise her arm to wave.

Her husband, French-born (Continued on Page 2, Col. 5)

Jan. 5 Incident Was Kept Quiet

U.S. Arms Attaché Beaten in Riga

By Murray Marder

WASHINGTON, Jan. 16 (WP).—A military attaché assigned to the U.S. Embassy in Moscow was beaten up by 14 to 20 persons on Jan. 5 at the airport in Riga, it was learned here Friday.

The officer in the previously undisclosed incident was Capt. Elmer L. Alderfer of the Air Force, who has been in Moscow since mid-1970. The State Department acknowledged the case only in response to questions, and described it as "still active."

The incident came to light during inquiries about the expulsion from Moscow of Rep. James H. Scheuer, D., N.Y., and about the departure at Kennedy Airport of a Soviet exchange student, Marab Kurashvili, who had slashed his wrists and throat.

There is no "discernible connection" between these cases, a State Department official said, calling the Scheuer and Alderfer

cases renewed evidence of Soviet "attitudes and sensitivities."

The Soviet authorities, U.S. officials said, evidently are demonstrating that these attitudes and sensitivities will continue to be displayed despite President Nixon's scheduled visit to Moscow in May.

Incidents involving Western military attachés in the Soviet Union occur periodically, often to make a political point. But U.S. officials could recall no recent event so severe as the one involving Capt. Alderfer. The State Department gave the following account:

Capt. Alderfer was leaving Riga, the capital of Latvia, after a brief authorized visit, and was at the airport with a British air attaché. Capt. Alderfer left his companion briefly to walk to another section of the airport when he was "physically assaulted" by four to six persons. These attackers were joined by 10 to 14 other men, described as "mostly airport employees."

The department's account states that Capt. Alderfer was "brought to the ground," his coat ripped, his shirt torn and his arm twisted. He was thoroughly searched and then taken to the airport office and "accused of taking pictures of the Riga airport." U.S. officials said Capt. Alderfer denied taking any airport pictures and said he had taken only "tourist" photographs.

He was said to have been questioned for more than half an hour, then released. The British air attaché reportedly was not molested in any way.

The next day, the U.S. Embassy registered what was described as a strong protest with the Soviet Foreign Ministry, charging violation of diplomatic immunity, failure of local authorities to prevent the "manhandling" of Capt. Alderfer and failure to arrest the offenders.

The Foreign Ministry rejected the protest "pending an investigation." Last Monday, the State Department made an additional protest at the Soviet Embassy here.

Although this dispute over-

lapped the Soviet exchange student case, it was not publicized by the United States, presumably because the Nixon administration does not want to ruffle the Washington-Moscow atmosphere. Washington usually discloses such incidents soon after they occur.

Picture-taking by Western military attachés in the Soviet Union is a frequently cited offense. The distinction that most countries draw between what is proper and improper conduct for military attachés can be a very fine line.

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Lord Carrington's role in yesterday's talk was said to have

First Reported in '60 Campaign

Hughes Book Tells of Funds for Nixon Kin

By Wallace Turner

NEW YORK, Jan. 16 (NYT).—A \$205,000 transaction 15 years ago with Richard M. Nixon's family is among the recollections of political dealings that appear in a purported autobiography of Howard Hughes, according to executives of McGraw-Hill Book Co.

The executives say Mr. Hughes also sets out a large amount of detail about his relations with other Presidents and with officials in Nevada, where he acquired a gambling empire in four years, and gives his version of his relations with Trans World Airlines.

The book is so candid, said Albert Lewenthal, a vice-president of McGraw-Hill, that some materials were cut from the manuscript because of legal fears.

The Hughes-Nixon business dealings were first publicized in the 1960 presidential campaign by the late Drew Pearson in his nationally syndicated column.

Mr. Pearson said that Mrs. Hannah M. Nixon and M. Donald Nixon, mother and brother of the then vice-president, had borrowed \$205,000 from Mr. Hughes through one of his attorneys. The money was not repaid, Mr. Pearson said.

Later, Mr. Pearson said, the

orders," and that if cruelties had been committed in East Pakistan "those guilty were the true policy-makers of whom two have been put under house arrest."

Mr. Bhutto did not name them but he was obviously referring to the former president, Gen. Muhammad Zia ul-Haq, and his chief of staff. He added:

"If Sheikh Mujibul Rahman

the Pakistanis as Azad (Free) Kashmir:

Mr. Kissinger, President Nixon's special assistant for national security, often emphasized that India would be acting for Pakistan.

The minutes said that Mr. Kissinger, criticizing India, "stated that what we may be

(Continued on Page 2, Col. 4)

For the first time, NATO is directly involved in the bargaining over continued use of the facilities in Malta by British and allied forces. In the past, the negotiations over the island bases have been conducted by British and American officials.

The record of the Dec. 8 meeting

underlined the deep concern that India would

act as a mediator in the dispute.

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been prominent. But Mr. Luns

was said to have been acting as a

NATO mediator, although he took

part in public to play down his

part in the negotiations. Italian

officials said that it was due to

an effort by NATO powers other

than Britain that the talks with

Mr. Mintoff had overcome a long

impasse, and that Mr. Luns's con-

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of prime importance.

Lord Carrington said before

leaving for London that "some

progress" had been achieved and

that there was no deadline for

the new talks on the base, as far as he knew.

Britain maintained a firm

(Continued on Page 2, Col. 1)

Talks to Continue

Malta Deadline Lifted; New Accord Possible

By Paul Hofmann

ROME, Jan. 16 (NYT).—Dom Mintoff, the prime minister of Malta, yesterday canceled the Jan. 15 deadline for the withdrawal of all British forces from his island, and said that a new agreement on military bases in Malta now seemed possible.

Mr. Mintoff made his announcement at the end of seven hours of talks here with Lord Carrington, the British defense minister, and Joseph Luns, secretary-general of the United Nations.

The three men agreed to continue negotiations this week on the further use of Malta's military facilities by British and allied forces. The negotiations probably will continue in Rome.

(Lord Carrington said today there is now a "50-50 chance" of a new deal with Malta, AP reported. In a radio interview with the BBC, Lord Carrington disclosed that Mr. Mintoff was now speaking in terms of a seven-year agreement for British use of Malta. While the talks go on, Lord Carrington said, Britain will continue with its evacuation from Malta.)

Mr. Luns reported tonight to a special meeting of the North Atlantic Council on the weekend talks in Rome, Reuters reported from Brussels. A NATO spokesman said the ambassadors from member states present at the council meeting expressed their appreciation of Mr. Luns's efforts to help Britain and Malta reach an amicable settlement. According to NATO sources, the final details of the new NATO and British package offer to be put to Mr. Mintoff have still to be worked out. The sources said that some of the NATO countries which are expected to contribute to the new offer have not yet taken a decision.

Mr. Anderson has printed ex-

cerpts from these documents in his daily column over the last month, as well as a cablegram critical of the administration from Kenneth B. Keating, the U.S. ambassador to India.

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(Continued on Page 2, Col. 1)

Secret Memo Reveals

Packard and Sisco Opposed Kissinger on Pakistan, India

Detain Him 30 Minutes

Soviet Police Raid Dissidents, Scuffle With U.K. Newsman

From Wire Dispatches
MOSCOW, Jan. 16.—Soviet security police have raided eight Moscow homes as part of an investigation into suspected anti-state crimes, usually reliable sources said yesterday.

Today, David Bonavia, a correspondent for the Times of London, was detained for 30 minutes by Soviet plainclothesmen after he left one of the eight homes—the residence of a dissident intellectual, he told colleagues.

Mr. Bonavia, 31, said that the men bundled him and his wife into a car and drove them to a police station. They were later released with a warning from a police officer. "Do not interfere

in our internal affairs and do not go back to that address," Mr. Bonavia had been visiting Pyotr Yakir, a historian and the son of the late Ion Yakir, a Red Army general shot in the 1937 Stalinist purges.

Later on, three other Western correspondents were prevented by police from entering the apartment building where Mr. Yakir lives.

Mr. Bonavia said the men who detained him identified themselves verbally as "members of the criminal investigation division," but refused to show identity documents.

He said he persisted in his demand for identification and at that point the officers began pushing the couple into the car, grabbing Mrs. Bonavia by the back of her head and shoving her into the open door. Mr. Bonavia said the couple shouted and scuffled briefly.

"I would have got in the car willingly had they showed us their documents which they are required to do by law," he said.

Mr. Bonavia said he asked "Who says so?" when the officers issued their final warning about not returning to Mr. Yakir's address. He said they identified the source of the order as local militia Capt. Alexei Semyonov.

Pressure on Correspondents

Police pressure on Western correspondents, once a rare occurrence, has increased over the past year.

The KGB secret police questioned a British newsman at KGB headquarters during pretrial investigation of Vladimir Bukovsky, another Moscow dissident who was sentenced to seven years in prison about two weeks ago. Other newsmen have been involved in streetcorner scuffles with plainclothesmen attempting to break up meetings between correspondents and dissidents or Zionist Jews.

KGB police raided the Yakir flat and the seven others Friday night, the sources said.

The search carried out at Mr. Yakir's flat lasted for 18 hours yesterday. The KGB officers were said to have removed a large quantity of papers from Mr. Yakir's flat and placed them in a sealed bag together with a number of books.

"I would be horrified," he told reporters, if the incident interfered with Mr. Nixon's forthcoming Moscow trip or the efforts to improve Soviet-American relations.

"I am trying to be part of the solution, not the problem," he said. "I have no desire to escalate the harshness of the dialogue: My job is to cool it."

Mr. Scheuer was stopping here before a brief visit to Belfast and Dublin and then a return to the United States.

With a group of congressmen from a House Education subcommittee, Rep. Scheuer completed last Wednesday a two-week look at Soviet schooling. That night, while dining with Alexander Lerner, a prominent cyberneticist who has sought permission to emigrate to Israel, Mr. Scheuer was picked up by Soviet police, who detained him for 40 minutes.

Two days later, he was ordered to leave the Soviet Union on the grounds that he had encouraged Jews to emigrate and had engaged in "subversive activity." Mr. Scheuer flew from Leningrad to London yesterday.

He characterized the charges as outrageous and observed that the Russians had not presented a "scintilla of evidence" to support them.

What he thought was the reason for his arrest?



Associated Press
Rep. James H. Scheuer and wife arriving in London Saturday night after their flight from Stockholm

Scheuer Hopes His Expulsion By Russia Won't Hurt Détente

By Bernard D. Nossiter

LONDON, Jan. 17 (UPI)—Rep. James Scheuer, D. N. Y., said today that he hoped his arrest and expulsion from the Soviet Union would not interfere with President Nixon's "laudable" effort to seek détente.

Rep. Scheuer described the episode as "a mindless exercise in the theater of the absurd" on the part of "paranoid" Soviet bureaucrats.

"I would be horrified," he told reporters, if the incident interfered with Mr. Nixon's forthcoming Moscow trip or the efforts to improve Soviet-American relations.

"I am trying to be part of the solution, not the problem," he said. "I have no desire to escalate the harshness of the dialogue: My job is to cool it."

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He suggested that the answer

Packard and Sisco Opposed Kissinger on Pakistan, India

(Continued from Page 1)

witnessing is a situation wherein a country equipped and supported by the Soviets may be turning half of Pakistan into an impotent state and the other half into a vessel."

"We must consider what other countries may be thinking of our action," he was quoted as having said.

Mr. Kissinger expressed unhappiness that because of an arms embargo the United States was unable to aid Pakistan.

A question before the group was whether to arrange for Jordan to send Pakistan some American F-104 jet fighter planes. Mr. Packard told Mr. Kissinger that "we could not authorize the Jordanians to do anything the United States government could not do."

Holding Hussein

But Mr. Kissinger said that King Hussein of Jordan should be kept in a "holding pattern" and his desire to aid Pakistan "not be turned off."

Mr. Packard, according to the record, "stated that the overriding consideration is... if you don't win, don't get involved. Let's not get in if we know we are going to lose."

Three days later, Mr. Packard announced his resignation as deputy secretary of defense, effective on Dec. 13. He cited "personal reasons." There has been no indication that his long-planned resignation was con-

Swiss Cycle Gang Held

BASEL, Jan. 16 (Reuters)—A gang of 18 Swiss motorcyclists was arrested here today after they had visited a tavern, beaten up some customers inside, and sacked the entire establishment, causing damage estimated at more than \$10,000.

To-day exceptional SALE dresses, coats, tuniques, high class sweaters, and exclusive creations SWEATERS BAZAAR 83, rue du Fg St-Honoré (angle Avenue Malibran)

Day of Grief Observed for Bengali Dead

3 Million Mourned By the New Nation

DACCA, Jan. 16 (Reuters)—Flags were flown at half staff and people wore black badges today in national mourning for an estimated three million Bengalis who died in the fight for a free Bangladesh.

Public ceremonies were held throughout the country and prayers were offered in houses of worship.

Prime Minister Mujibur Rahman urged the people to dedicate themselves to reconstruction so that "the blood of these martyrs and the tears of our mothers shall not go in vain."

In no war of independence had three million people been killed as well as women ravished, villages burned and educational institutes destroyed, Sheikh Mujib said.

Crowds marched to the sheikh's house here to hear his address.

Petition for Trials

Bangladesh intellectuals yesterday launched a mass petition campaign demanding that commanders of the Pakistan Army in the east be brought to trial for war crimes.

Dr. Kabir Chodhury, director of the Bangla Chodhury, announced the drive and said it was hoped to collect about 100,000 signatures that would be forwarded to the UN Human Rights Commission.

Meanwhile, nearly three million of the estimated 10 million Bengalis who fled to India from East Pakistan last year had returned home by yesterday afternoon, an official spokesman told reporters in Calcutta.

The Press Trust of India reported that Sheikh Mujib had denied a report in this Sunday's London Observer that he had threatened to "take over West Pakistan and make it Bangladesh too" if Pakistan President Ali Bhutto "tries any tricks to keep Bangladesh out of the Commonwealth."

Nepal's Recognition

NEW DELHI, Jan. 16 (Reuters)—Rep. Alphonzo Bell, R. Calif., who has just visited the Soviet Union, accused the Kremlin today of "cultural genocide" against its Jewish population.

Followed by 'Carleads'

WASHINGTON, Jan. 16 (UPI)—Rep. John Dellenback, R. Ore., who also toured the Soviet Union with Rep. Scheuer, said today that "carleads" of Russian agents had followed the American study group's movements.

SAIGON, Jan. 16 (AP)—

One of Hanoi's fastest jet fighters came face to face with two of its American counterparts over northern Laos and fled with a barrage of air-to-air missiles exploding at its tail, the U.S. Command said today.

The command said the encounter yesterday was the first this year.

The command also disclosed the eighth so-called "protective reaction" strike inside North Vietnam this year, the latest against a radar-controlled anti-aircraft missile site 40 miles north of the Demilitarized Zone.

As the heightened air action continued for the sixth consecutive day, North Vietnamese and Viet Cong forces launched 50 rocket, mortar, sapper and anti-aircraft assaults across South Vietnam in a sustained "highpoint" of activity.

South Vietnamese military sources said Communist attacks during the past week were at the highest level since attempts to disrupt presidential elections last October.

One of the attacks was a coordinated 11-round mortar barrage on the big U.S.-South Vietnamese air base at Cam Ranh Bay, 195 miles northeast of Saigon, and government infantrymen protecting its perimeter.

No U.S. casualties were reported but seven South Vietnamese soldiers were killed and nine were wounded. No damage to aircraft was reported but several U.S. vehicles and buildings were damaged.

The U.S. Command said it was the first strike on the base since a sapper attack there last Aug. 24.

Although several MiGs have been spotted in northern Laos, yesterday's encounter marked the first time this year that the Soviet-built interceptors have risen to challenge American planes supporting Laotian government ground troops around the Plain des Jarres, the U.S. Command said.

Spokesmen said a MiG-21 trav-

eling at speeds up to 1,200 miles per hour tried to intercept several U.S. bombers striking at artillery guns, bunker complexes and supply routes.

But two Air Force F-4 Phan-

thoms armed only with air-to-air missiles as escorts for the heavily laden and slower bombers detected the MiG on their radar and gave chase, unleashing a half-dozen missiles.

The MiG fled back into North Vietnam, but the 1,600-mile-per-

hour Phantoms did not pursue any further.

U.S. pilots reported they sighted several other MiGs in the air on the North Vietnamese side of the border.

A spokesman for the U.S. Command, Maj. Robert O'Brien, said none of the American missiles hit the MiG that ventured into Laos.

Meanwhile, in the Laotian capital of Vientiane, it was reported that North Vietnamese pressure on the base of Long Cheng appeared to have eased, although heavy fighting was reported continuing on Skylane Ridge overlooking the installation.

At a meeting with newsmen Friday night, Deputy Prime Minister Roelof Nelissen was asked to comment on the controversy after it was put on the agenda of the Friday cabinet session.

He expressed the government's regret at the incident but said it "did not appear to have produced any problems" at the cabinet meeting.

He denied press reports that Premier Barend Bleesewiel had threatened Dr. Luns with action by the Dutch attorney-general if he refused to come to The Hague for discussions.

He said the incident was now closed and that Dr. Luns was "resigned to the fact that the unauthorized persons concerned who had perused his private papers could not be prosecuted under Dutch law."

U.S. jets chase off MiG in Laos

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Further reshuffles, involving all ranks from cabinet ministers to province chiefs, are expected, the sources added.

Lt. Gen. Nguyen Xuan Thinh, commander of the 26th Infantry Division; Maj. Gen. Nguyen Van Toan, commander of the Second Infantry Division, and Brig. Gen. Vo Van Canh, commander of the 23d Infantry Division.

All three have been replaced by colonels who are expected to be promoted to general shortly, the sources said.

Sheikh Mujibur Rahman says Bhutto twice saved his life

NEW YORK, Jan. 16 (Reuters)—Sheikh Mujibur Rahman said that the day Bangladesh, or East Pakistan, fell to Indian troops and Bengali guerrillas former President Mohammed Yahya Khan ordered him put to death.

But Mr. Bhutto, then foreign minister, stopped the hanging by arguing that it would jeopardize the safety of the thousands of West Pakistani soldiers

held prisoner by the Indians, Sheikh Mujib said.

A few days later there was an attempt to have him killed inside the jail, but Mr. Bhutto got wind of the plan and he got the Bengali leader out of the prison, the sheikh said.

The superintendent of police in charge of his security hid him in his house for two days, he said. He said he was then hidden three or four days in another house until Dec. 26 when a helicopter took him to a bungalow at Rawalpindi to meet Mr. Bhutto, who had by then assumed power.

According to Newsweek Interview

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Snipers Harass Troops

More Than 200 Are Arrested In Week of Ulster Roundups

BELFAST, Jan. 16 (UPI).—The British Army continued its roundup of suspected Irish Republican Army extremists today with nine arrests in the Belfast area, an army spokesman said.

He said a week of concentrated searches had resulted in more than 200 detentions of persons suspected of connections with the outlawed organization.

Troops came under sniper fire

Stiff Penalty Shock to D.A. In Drug Case

NEW YORK, Jan. 16 (AP).—A sentence of 30 years in prison handed down to a man found guilty of selling less than three grams of heroin drew protests against the severity from both prosecution and defense. The prosecutor said he would join the defense in an appeal to reduce the sentence.

State Supreme Court Justice Paul A. Fino imposed the sentence Friday on Jerry Williams, 23, convicted of selling three envelopes each containing less than one gram of heroin to a police agent.

"Characters of your ilk," the judge told Williams, "who prey on our young people and have created panic in our communities are unfit to be a part of our society and must be removed if we are to save our young people and our city from complete physical destruction."

"To make one indigent small-time addict pusher the fall guy for all the ills of society is not warranted and is unconscionable," Bronx District Attorney Burton Roberts said.

Soviet Spy Ships Use N. American Fuel, U.S. Says

QUINCY, Mass., Jan. 16 (AP).—The commander of the U.S. Navy Atlantic Fleet said yesterday that Soviet fishing, research and merchant ships have been taking on fuel and provisions in North American ports, then returning to sea and refueling and provisioning Soviet intelligence ships.

"Thus, logistic support is being given to a Soviet intelligence collection ship located thousands of miles from its homeland," said Admiral Charles Duncan. "He made the charge in remarks at the christening of the commercial cargo ship *Almacka Lykes*.

Adm. Duncan did not specify what North American ports the Soviet vessels were using and a spokesman for his office in Norfolk, Va., declined to name any. The spokesman said the admiral's use of the phrase "North American ports" could refer to Canadian ports.

15 Believed Dead, 60 Hurt in Crash Of Greek Trains

LARISSA, Greece, Jan. 16 (Reuters).—At least 15 persons were killed and about 60 injured when an international express and a freight train crashed head-on to night 30 miles south of here, a police spokesman said.

He added that more dead and injured might be trapped in the wreckage of the two trains, parts of which were burning. He said as far as he was aware all the dead were Greek nationals.

The collision involved the Acropolis Express, which left Munich yesterday morning on its way to Athens, and a freight train from Athens.

Recession Phenomenon: Commuting Pilots

By Robert Lindsey

NEW YORK, Jan. 16 (NYT).—When Franklin Soare, a 37-year-old United Air Lines pilot, pulls out of his driveway and heads for work, he begins a commute that spans 2,425 miles—from Seattle to New York City.

He's one of several hundred airline pilots who are commuting regularly across the country in a curious side effect to the economic problems of the nation's airlines.

Most say they don't like it, and a few suggest that the long-distance commuting—with endless changes of time zones—might be a safety problem.

Airline pilots have been known to live far from their airport bases for years. Trans World Airlines, for example, has several captains who live in California and commute to the John F. Kennedy Airport in New York, where they leave for Europe in command of their own jets. Several New York-based Pan-American World Airways captains live in the Bahamas, where they enjoy tax advantages as well as the warm sun and beaches.

Most pilot-commuters in the east have been senior captains

today in Belfast and Londonderry, the spokesman said. The soldiers shot back in the Londonderry incident. No army casualties were reported.

The army spokesman said most of the suspects seized during the week's roundup were in the Roman Catholic Andersonstown and New Lodge districts of Belfast, constant focal points for violence over the last three years.

Yesterday, as British troops seized 22 men in raids on suspected IRA hideouts, angry women and youths attacked British patrols in the Ardoyne and Andersonstown areas and soldiers drove off the mob with CS gas and rubber bullets to take the prisoners away, the spokesman said.

One British soldier was reported wounded by sniper fire yesterday.

Security forces, meanwhile, pressed a hunt along the County Down border with the Irish Republic for six masked gunmen who late Friday set fire to a pub in the town of Warren Point, smashing bottles of whisky and beer before they fled. Callers identifying themselves as the IRA telephoned from Dundalk, in the republic, to claim responsibility for the razing of the Ship Bar Pub. They said British soldiers often drank there.

A former inmate of Belfast's Crumlin Road Jail, who refused to give his name, told newsmen today the IRA has organized a special "jailbreak committee" to help escapes by suspects from prisons and internment camps across Northern Ireland.

The former prisoner said inmates at Crumlin Road Jail and Long Kesh internment camp had formed their own escape committee.

"In the past couple of months their work has begun to show results," he said. A number of detainees have escaped from Crumlin Road Jail.

Meanwhile, a second internment camp was opened today for detained suspects. A government spokesman said a number of men—unofficially estimated at 50—were transferred from the prison ship Maidstone in Belfast harbor to Camp Magilligan, a former army base on the north coast near Londonderry.

Paisley in Republic

CORACAGH, Ireland, Jan. 16 (AP).—The Rev. Ian Paisley, militant Protestant leader in Northern Ireland, yesterday came to the Roman Catholic Irish Republic to break ground for the building here of a church of his Free Presbyterian sect.

There were no incidents. Mr. Paisley's car and busloads of his followers were escorted from the border by a heavy guard of police.

Mr. Paisley, a member of both the Ulster provincial and British Parliaments, refused to discuss politics with newsmen present. "I am here to preach the gospel, not politics," he said.

British Strike Of Coal Miners Enters 2d Week

LONDON, Jan. 16 (Reuters).—The British coal miners' strike entered its second week today with no sign of settlement and, so far, no serious effects on the public.

The employer, the state-run National Coal Board, said there had been no reports of shortages despite picketing by the strikers all week to block the import or movement of coal in Britain.

A coal board spokesman asserted that it was the miners themselves and the people living in mining areas who would feel the effects first. He said coal stocks were higher than they have been for years, and those most likely to suffer were those relying on "hand-to-mouth" supplies straight from the pits.

The 280,000 miners, members of the National Union of Miners, are striking for a 4% percent increase in wages. The coal board has offered 7.9 percent, within the government's anti-inflation guidelines.



United Press International

THE WRONG HOUSE—Distraught woman stands beside her house in Sylmar, Calif., after a bulldozer mistakenly went to work and demolished it. What was to have been a \$5,000 repair job for earthquake damage is now a total loss. Valued at \$24,500, it was left unoccupied since last February's earthquake. The house that was scheduled to be demolished is just a few doors away down the street.

Hails 'Inner Strength' of People

Brandt, Just Back From U.S., Thrilled by Cordiality There

By David Binder

BONN, Jan. 16 (NYT).—Chancellor Willy Brandt, just returned from a fortnight's vacation in the United States, was so impressed with the "helpfulness and friendliness" and the "inner strength" of Americans at the grass-roots level that he wants to tell the West Germans about it.

The 58-year-old leader recalled today that he had visited the United States "many times," but almost always on official business in the big cities.

His two weeks on the west coast of Florida were "a new experience," he said in an interview.

"I sensed how much inner strength there is in these United States," he said, "how much down-to-earth helpfulness and friendliness there is among the Americans themselves and toward strangers."

This was different, he said, "from the picture of America one is often given" in Western Europe.

Many Volunteers

What impressed him especially was "how many Americans are working as volunteers" in hospitals, kindergartens and other social institutions. Mr. Brandt and his wife, Ruth, visited a hospital in Sarasota, Fla., and were surprised to find the switchboard was being operated by an unpaid volunteer.

Another contrast to European conditions, he said, was "how much more considerate Americans are in highway traffic, how considerate they are of others altogether. I saw it with my own eyes and the lower highway death rate proves it." He said he had remarked on this to President Nixon at the outset of his stay in Florida, Dec. 29.

Mr. Brandt said he felt the friendliness extended to him and his family in Florida had not been affected by his position as "a foreign dignitary."

He cited the neighbor who stopped to give him a six-pack of cold beer after he had come back to his vacation hotel from a fishing trip, "because you must be thirsty after a day in the sun."

He also spoke of the many Floridians who wrote or telephoned to invite him to their homes. "One, he recalled, said: 'I'd be pleased if you didn't even call up beforehand, just drop in when you feel like it.'

Missing in Europe

This kind of neighborly informality was largely missing at home, he remarked, and added that Europeans could do with some more of it.

The Brandts did not do a great deal of socializing in Florida, he said, but he added that they had been delighted by their meetings

50 U.S. Scientists Call for Study of Oceans' Pollution

WASHINGTON, Jan. 16 (UPI).

Senior officials here said yesterday that the Soviet Union has offered Chile \$50 million in credits within the last three weeks. They were unable to give specific details about the unpublicized offer, which reportedly was made indirectly through Soviet-controlled European banks.

The offer comes at a time when the United States and 12 other Western credits nations are preparing to negotiate with Chilean representatives in Paris on Chile's request to postpone for three years payments now fall-

ing due on its sizable foreign debts.

The Paris talks may, in the view of the Nixon administration officials here, have an important bearing on seriously strained U.S.-Chilean relations.

Officials here tend to view the new Soviet credit offer as being timed deliberately for political impact before the debt talks between Chile and its Western creditors. How it will be utilized, however, is causing considerable puzzlement.

"We still don't know much about how it will be extended," one official conceded. "The U.S.S.R. doesn't have enough hard currency reserves just to lend \$50 million to Chile freely, and anyway, it always offers credits for equipment—usually machinery. It almost certainly won't offer consumer goods, which Chile is short of. Yet Chile doesn't really need copper-mining machinery. It's still unclear."

Chilean diplomats could not confirm reports of the latest offer, but they noted that the Christian Democratic administration of President Eduardo Frei, predecessor of Chile's present leftist government headed by Salvador Allende, had been offered \$50 million by the Soviet Union to modernize the port of Valparaiso. That credit had never been utilized, they said.

They also noted that Chile's minister of economy had reported \$350 million in new credits after his trip to Eastern European countries and the Soviet Union last autumn.

Chile's total foreign indebtedness is reported to be between \$2 billion and \$3 billion.

Kennedy Urges Test Moratorium

WASHINGTON, Jan. 16 (UPI).

Sen. Edward M. Kennedy, D.-Mass., urged President Nixon yesterday to declare a moratorium on underground nuclear testing and negotiate an underground test ban treaty with the Soviet Union.

Sen. Kennedy said he intends to introduce legislation when Congress reconvenes this week urging the President to carry out these goals.

The moratorium should last as long as the Soviets refrain from underground testing, he said.

Lisbon Sentences 4

LISBON, Jan. 16 (UPI).—A criminal court here today sentenced four dockyard workers to terms of 15 to 18 months imprisonment for alleged subversive activities, including distribution of Communist leaflets.

The delegation left Friday night without reaching agreement with Ecuador, saying that the problem was complex and that they would maintain contacts.

Warships seized the Armstrong,

Puritan and City of Lisbon yesterday for allegedly catching tuna within the 200 nautical miles that Ecuador considers territorial waters, Defense Minister Luis Rojas Plaza said.

The United States and many other major fishing countries recognize a 12-mile limit.

West Coast Dockers Set Strike Today

But Talks to Avert Walkout Continue

From Wire Dispatches

SAN FRANCISCO, Jan. 16.—With a strike deadline of tomorrow morning drawing close, negotiators held last ditch talks today on a contract which could avert resumption of the West Coast longshoremen's walkout.

Both sides were warned by Federal Mediator J. Curtis Counts that the Nixon administration will move quickly to force a settlement if 15,000 workers leave their jobs at 24 ports in California, Washington and Oregon.

The International Longshoremen's and Warehousemen's Union, which struck members of the Pacific Maritime Association for 10 days last summer, set a strike deadline of 8 a.m. tomorrow. The earlier strike was halted by a court order.

Pay Increases Sought

Both sides began meeting yesterday in final attempts to avert the strike. Under discussion are pay increases and whether dockers of Teamsters Union members should handle container cargo.

The union wants a guaranteed annual wage even if there is no work. It demands wage increases totaling 26.1 percent over the next two years.

The union also demands that it be allowed to unload container shipments, which are handled in many places by the truck-driving Teamsters union.

Forty-seven of the 116 Pacific Maritime Association companies involved are foreign shippers and a strike would seriously curtail imports, particularly from Japan and West Germany.

Mr. Ingersoll refused to name his alleged accomplices, the police said they were able to identify and arrest them. The police have not disclosed their identities or the circumstances of their arrest.

Mr. Ingersoll, in a radio interview today, said he came here to discuss with French narcotics officials how the year-old Franco-American agreement on ways to fight heroin traffic was working.

Mr. Ingersoll played down reports of friction between the U.S. and French narcotics services.

Asked if there was a "cold war" between the two services, Mr. Ingersoll replied: "The talk of cold war is just rhetoric of politicians. There is nothing like that between the two services."

Some U.S. congressmen have accused the French of not doing enough to stop the heroin traffic in this country, most of which ends up in the United States. The French have denied the charges.

Asked if the U.S. Narcotics Bureau was satisfied with French cooperation, Mr. Ingersoll said: "I don't think that both our services of a cold war is just rhetoric of politicians. There is nothing like that between the two services."

The new government's military control of the country is thought to be complete, with no opposition reported from any section. In Accra, life seems utterly normal.

The freeze on the assets of the former ministers, including the accounts of Mr. Busia's Progress party, was thought to be related to Col. Acheampong's contention that official corruption had become widespread in the old government. Presumably an investigation of the assets, with public accusations, will follow.

24 Types of Toys Recalled in U.S. As Safety Hazard

WASHINGTON, Jan. 16 (AP).

The Food and Drug Administration has announced the recall of 24 types of toys it considers hazardous to children and said it would propose new safety standards for electrical and mechanical toys.

Hundreds of thousands of the squeaky toys, rattles, flutes, cars, music boxes and dolls were sold before retailers were notified of the recalls between Oct. 14 and Dec. 30, the agency said.

The items were declared hazardous under the 1968 Toy Safety Act, the FDA said, because they contain parts that can be ingested or swallowed, or can cause cuts and punctures.

The safety standards to be proposed soon will cover heat, electrical and mechanical hazards in electrically operated toys and mechanical hazards in other toys.

The outcome will not change

the balance of power in Congress

where the Allende coalition holds

66 of the 150 Chamber of Deputy seats and 23 of the 50 Senate

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Dark Rosaleen

It is just about half a century since the creation of the Irish Free State and the government of Northern Ireland seemed to presage an answer to the Irish problem. But that problem—basically, the relationship between the English and the Irish, with some Scottish and Welsh complications—is eight centuries old, and in the years between the second Henry's occupation of the British throne, and the second Elizabeth, too many clashes of secular interest and religious enthusiasm, too many conflicts of imperialist ideals and national fervor have been imbedded in the struggle. Once again, as so often in the past, the fate of Dark Rosaleen, the patriot's image of Ireland seems locked in by the confrontation of irreconcilable elements.

The beginnings of the current troubles in Northern Ireland were the protests of the Catholics there over the civil rights denied them by the Protestant majority. To some extent these labels of religious affiliation are simply—labels affixed to differences of economic status, of cultural differences and the legacy of old migrations and old enmities. But as many unhappy places in the world still show forth, the religious label can be the most inflammatory of slogans. Moreover, the one-third of the northern Irish who are Catholics are neighbors of the Irish Republic, with twice the population of Northern Ireland, and almost all of it Catholic. The Irish Republic has like India never accepted the justice or the practicality of partitioning its "national territory," and whatever steps the government in Dublin may take to keep the peace, for the Catholics of Ulster the Irish Republic holds out the

hope of changing from an abused minority to a dominant majority.

The battles in Northern Ireland have shifted from the question of civil rights within that entity to a reunion with the south, and the parochial enemy, the Irish Protestant, has been supplanted by the British soldier as the principal target. There is dispute about how this came to pass—the sluggishness of the Stormont government in making reforms, the activities of the Irish Republican Army, provisions, the policy of internment without trial, are all involved in a kind of chicken-and-egg argument.

But it seems doubtful, now, that any reforms within Northern Ireland can settle the fierce conflict. Nor is it too probable that demographical realities would permit an adjustment of the frontiers of the six northern counties to bring the Catholics within the Irish Republic, and allow the Ulster Protestants to rule themselves alone. And the creation of a united Ireland, territorially, however much sense that would make economically and in other ways, would bring a resentful minority of Protestants within the republic—a minority which has ample experience in guerrilla warfare.

It has been suggested that a new Irish constitution, with greater safeguards for such a minority, might bring about an agreed settlement. The hope this idea presents is slim; the deep and wide division of Ireland will not be easily bridged, especially when each bomb-blast, each sniper's bullet, each arrest, adds to the bitterness. But it is a hope that must not be ignored, for it seems the only one remaining. "Woe and pain, pain and woe," have marked the lot of those who fought both for and against Dark Rosaleen—and the end is not yet.

Junket to Africa

At a time when the United Nations is reeling toward bankruptcy, the Security Council could have great difficulty so far from U.S. headquarters if it had to deal with an emergency in another area—the Middle East, for example.

This latter consideration, along with the chronic UN financial problem, has dissuaded members from scheduling sessions of the General Assembly or Security Council away from headquarters for the last 20 years. The United States finally acquiesced in the African meeting decision in order to avoid offending the 36 African states that had demanded the special session.

The problems of Southern Africa are "burning" indeed; but they will not be solved by more of the rhetoric that floods every General Assembly session. The oratory does nothing to weaken the grip of the white rulers on Rhodesia, South Africa and the Portuguese colonies; in fact, the ridiculous extravagance now scheduled for Ethiopia can weaken only the UN.

THE NEW YORK TIMES

International Opinion

France and NATO

At a time when the United States is applying a policy of military disengagement everywhere in the world, Mr. Pompidou legitimately fears seeing Europe "uncovered" one day. He thus intends to attach more importance to Western defense problems, which necessarily implies a reactivation of France's cooperation with NATO.

This is quite different from re-entry into the military organization of the alliance which George Marchais improperly alleges to be Pompidou's objective. It is quite normal that this evolution of French policy worries Moscow. What is of major interest is the fact the Soviet government wanted to sound a warning of far-reaching implications.

—From *Le Figaro* (Paris).

International Landscape

Having encouraged India for nearly two decades and seen it as a kind of democratic counterweight to Communist China, Washington now stands in sharp opposition to Delhi and, along with Peking, on the side of Pakistan—in a front against India's ally, the Soviet Union. It is clear—and has become even clearer with the recent publication of secret documents from a "leaky" White House—that this was a quite conscious option of U.S. policy and of President Nixon himself. He accepted the further disintegration of an already weakened position in India, in order to promote his concerns in China. Every other choice which was open to him in the India-Pakistan conflict would have compromised those concerns and yielded less than he hopes to achieve.

America's new policy orientation toward Peking has thus deeply altered the interna-

tional landscape in a very short time—an indication of how consistently it is being pursued and how seriously it is meant by Washington.

The great question facing Nixon's coming visit to Peking is whether China will react to such decisiveness with equal consistency and whether it will be possible to develop any potential for real cooperation on a global level. The answers to these questions will be forthcoming from the talks in the capital of the "new superpower," in which Washington's grand design will be subjected to its first real political test.

—From *Neue Zuercher Zeitung*, Zurich.

Moneetary War or Peace

The stakes for Europeans are the very existence of the Common Market. The choice is clear: Europe will either yield to American demands; then there will no longer be a Common Market for agriculture and the way will be barred to European integration. Or Europe will resist and assert itself as what it must be: a full-fledged partner.

—From *Neue Zuercher Zeitung*, Zurich.

Coup in Ghana

Presumably there is nothing neo-Nkrumahist about the military coup. It is hard to see what anybody could do to improve greatly on Dr. Busia's efforts to ease the debts and raise new money... but Ghana, stripped of credit, would still need much more money and much the same policy. A coup solves nothing.

—From *La Nation* (Paris).

In the International Edition

Seventy-Five Years Ago

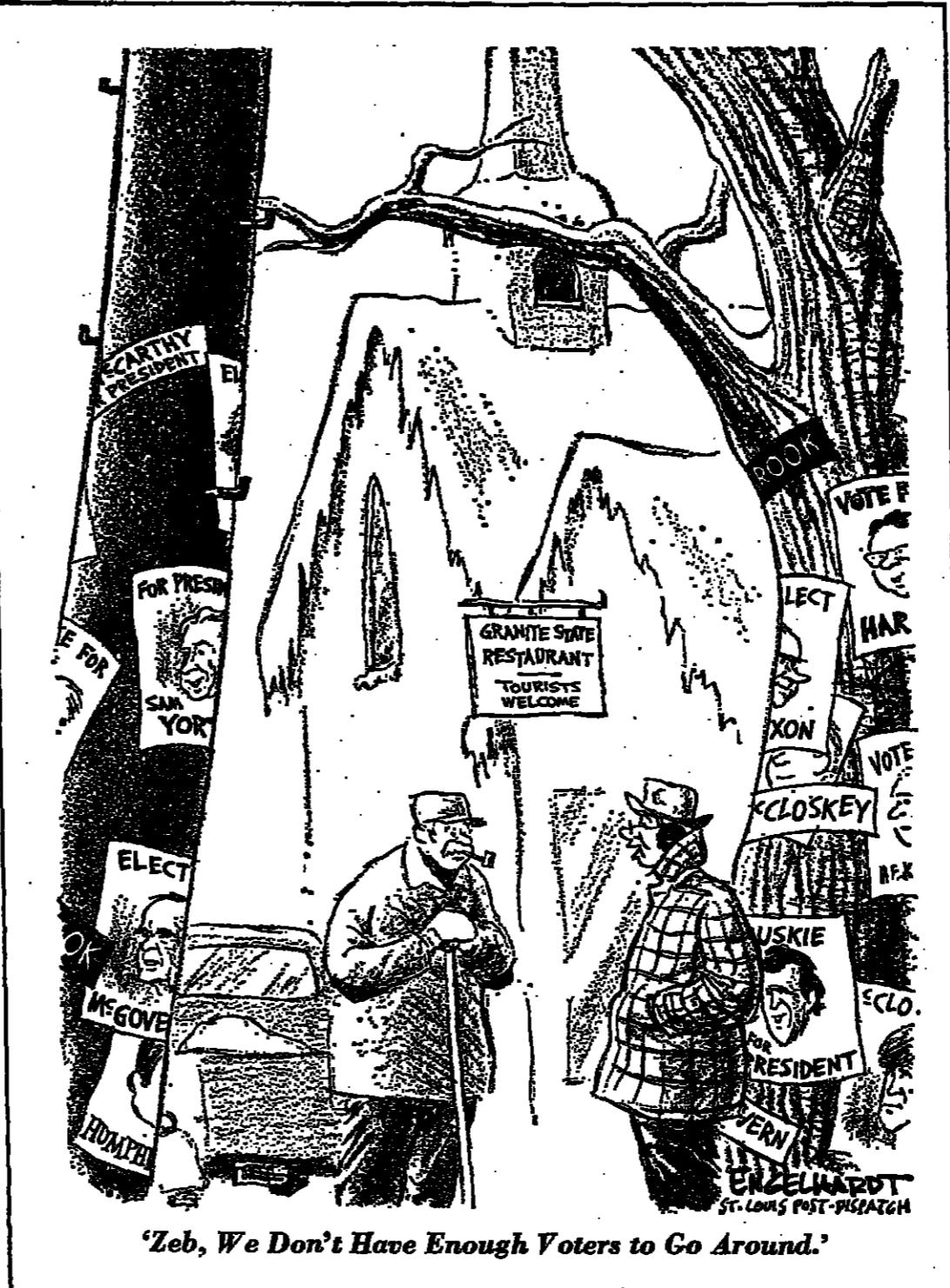
January 17, 1897

PARIS—In these days of progress it is not surprising that railway trains should be hauled by electricity. One even wonders why it was not accomplished long ago. J.J. Heilmann, the well-known engineer, says it was done long ago. That is to say, the principle was demonstrated to be a practical one. There is no doubt that this new mode of travel and energy will one day have an important bearing on the railway haulage and traffic of the world.

Fifty Years Ago

January 17, 1922

WASHINGTON, D.C.—Prohibition enforcement authorities report the seizure of a rum-running aeroplane from Mexico at Del Rio, Texas, where the pilot and two men were arrested with 130 bottles of a Mexican spirit resembling rum. Great activity on the part of smugglers has been reported and the seizure was the result of several days search. Also the bodies of two sailors have been found on the beach in Biloxi, Miss. There is a connection between their deaths and smuggling.



'Zeb, We Don't Have Enough Voters to Go Around.'

Dear Women's Libbers

By James Reston

WASHINGTON.—In these remarkable days of the women's-lib movement, it is astonishing that nobody has come to the defense of the most admirable and intelligent, but also the most masculine-dominated, down-trodden and long-suffering women in America today—the wives of the candidates for the presidency of the United States. Dear Ms. Gloria Steinem, how could you have missed it?

Of all the suppressed minorities in this Great Republic, none has a harder lot today than the women of these ambitious politicians. Any way you look at it, whether the women are left at home or hauled through the snows of New Hampshire in order to fool the public into thinking that the candidate is a "good family man," these women are subjected to tortures below the kingdom of the damned.

To begin with, any man who thinks he's good enough to be President of the United States is clearly not the modest sort you'd like to have around the house. Taken as a whole, these men tend to be vain, outrageously energetic, over-sexed, spoiled and cranky. Worse than that, though, they are forever grinning for the cameras, the plain fact is that they are usually wholly devoid of any sense of humor. The present crowd of presidential candidates is even worse on this score than most: With the possible exception of Old Triple-H, there isn't a giggle in the whole outfit.

Identity Crisis

Also, please, no "identity crisis" stuff until the end of the campaign. I know it's tough, but what you think and how you feel, I'm afraid, are out for the duration. You just love rubber chicken and canned peas, remember? And you will eat the lady's doughnuts!

Now about clothes. We can't afford them. But you'll have to get several outfit for the cold weather in New Hampshire and several more for the warm weather in Florida. Something expensively proper and buttoned up, bright enough to stand out on color television, but not too gaudy. The foul-weather gear you can use again in Wisconsin and fluffy stuff in the California primary.

The press will be a problem—they're a noisy bunch! They will want to know how you like New Hampshire or Florida or Pennsylvania or wherever we are, and of course you think every body's so friendly, and you make no comparisons, especially in Florida, since we have to go on to California after that. They will probably ask you which First Lady you admire most, and you say right out: Mrs. Truman. They will be expecting you to say Mrs. Kennedy, who was too Frenchy, or Mrs. Roosevelt, who was too political, and had their enemies, but nobody can possibly object to Mrs. Truman.

Of course, if Ms. Steinem doesn't object, it may be also true that the candidate himself has his problems. I will always remember Adlai Stevenson's definition of the candidate's dilemma and Stevenson's gift of self-mockery and laughter as he told all that was like on the campaign trail:

"In the Middle"

Consider then the problem of their wives, the agonies of living with such a character when he is seized with the presidential itch. The routine of the house has to go on, and for senators' wives, this means at least two houses, one in Washington and one back in the home state. The problem is obvious. The wife is caught between the Old Man and the kids, who have to be looked after and instructed not to say anything outside that might embarrass The Candidate. This is what is meant by "being in the middle."

Put yourself in the place of the candidate's wife. If you stay home while he's on the road, you are of course expected to accept invitations. Candidates' wives never say no. Therefore you will attend political breakfasts, lunches and dinners, and receive lady reporters who want to know all about where you met the Great Man, what he eats for breakfast, what he reads, if anything, what he really likes, and what color you plan to paint the Blue Room after you move into the White House.

When you go on the road, you have to get somebody you can't afford to look after the kids, and once you are out there in New Hampshire, he will drag you to every cross-roads in the state.

You will hear that same speech and those same jokes to many times that you will wake up reciting them in the night. And no matter how many miles you travel, you will be expected to look neat and pretty, with your hair glued in place and shiny, and you will smile. Understand?

The 13th Amendment to the Constitution of the United States forbids involuntary servitude, but this you must understand, does not apply to you. You have a

part to play now and rules to follow. Remember there's always a camera somewhere out there in the audience and you might wind up yawning on the Cronkite show. So cross your legs on the platform. Watch The Candidate with a slightly adoring look, and for God's sake, laugh at the right places. Okay?

anxiety about their children, and about themselves.

The campaign may not be on for you, dear reader, but it is on for them. "I wonder," said Muriel Humphrey in a carelessly honest and spontaneous remark in Florida the other day—after Hubert had been performing with the politicians and even the circus performers—"whether this trip is really necessary."

One wonders too. But the women keep going with their ambitious and dreaming husbands, and their only consolation is that, if Old Man doesn't win, at least he will be defeated and come back home.

And of course the ultimate tragedy for Adlai Stevenson was that he didn't have a wife to come home to after he was defeated.

Moreover, he said. "They

for they indicate Tito had the backing not only of the Yugoslav Army but also at least some 'captains of industry' in big combines both in Serbia and Croatia.

The camp will be a problem—they're a noisy bunch! They will want to know how you like New Hampshire or Florida or Pennsylvania or wherever we are, and of course you think every body's so friendly, and you make no comparisons, especially in Florida, since we have to go on to California after that. They will probably ask you which First Lady you admire most, and you say right out: Mrs. Truman. They will be expecting you to say Mrs. Kennedy, who was too Frenchy, or Mrs. Roosevelt, who was too political, and had their enemies, but nobody can possibly object to Mrs. Truman.

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"In the Middle"

The U.S.S.R. is seeking to create

along its lengthy southern border a string of friendly states in which it eventually hopes to gain more influence. Relations with Iran have improved and they are good with Afghanistan as well as India. Furthermore, the Russians will try and cultivate Andy in a national and an ideological sense—but their victory may not be final.

Nevertheless, Brezhnev seeks to interest all Southeast Asian countries in accepting a neutral status biased toward Moscow, once U.S.

and

in the West.

There have been hints that Moscow is convinced the United States is now so divided internally that, in a crunch it won't stand up on any major issue of foreign policy. In making their calculations on this crucial point, Kremlin leaders have not been able to predict whether the U.S. will reverse their attitudes.

As for the former party leadership, he said he was again a return to a centralized economy which he believed was responsible for frustration and, ultimately, nationalism.

"Incompetent managers blamed

all their troubles on the central administration. In Belgrade and had a lot to do with creating nationalism in the first place he said.

He added that the country

modified market economy should be strengthened and financial controls, rather than political ones, must be implemented over future investments.

Meanwhile, however, Slobodan Milošević, the leader of the League of Communists of Yugoslavia, is attempting to sort out political problems.

Tomorrow:

The coup against the Croats

Reading Soviet Tea Leaves

By C. L. Sulzberger

PARIS.—Soviet foreign policy was singularly successful during 1971. In the Middle East it reaffirmed a strong position that might have been weakened by Nasser's death and the subsequent Egyptian power struggle.

Moscow withdrew Russian crews from missile batteries lining the Suez Canal, re-establishing them along the Nile Valley. It thereby reduced the risk of accidental incidents in a new Arab-Israeli war while asserting its power to set if and when it might so wish.

In Southern Asia it enormously enhanced its posture in the Indian Ocean. Already the Soviet navy had obtained base privileges in the Red Sea and the Horn of Africa. Now it has better access to ports in an India friendly to Moscow's unequivocal backing during the recent war.

Influence

Things have been going Russian's way except in China where his prestige has disappeared, centrifugal forces may become uncontrollable. In such a case the Kremlin, under its natural leadership, is likely to back its own adherents. There is little likelihood of more than verbal protest from the West.

Things in Europe have developed nicely for the Kremlin. The political future of West Germany depends on the success of his defense policy vis-à-vis Moscow. Russia has good relations with all the NATO allies despite their preoccupation with growing Soviet military power.

As the U.S.S.R.'s missile strength on land and naval strength in the Mediterranean and White Seas increases, the Russians quickly talking about reasonable arrangements and some kind of strategic weapons freeze. But the military balance steadily shifts in their favor.

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For this reason, it is likely that will attempt a serious test operation before this year is out—something of an importance ranging between the Berlin Wall and the Cuban missile crisis when they similarly tested President Kennedy. The probability that a crisis will come early this autumn, during the height of the U.S. election campaign, when Moscow hopes it can reverse their attitudes.

There have been hints that Moscow is convinced the United States is now so divided internally that, in a crunch it won't stand up on any major issue of foreign policy. In making their calculations on this crucial point, Kremlin leaders have not been able to predict whether the U.S. will reverse their attitudes.

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Tomorrow:

The coup against the Croats

Crisis in Yugoslavia—I

They Thought Tito Was an Empty Pistol'

By Dan Morgan

SISAK, Yugoslavia.—In

Prices Fall, Markets Shrink

Soaring Asian Rice Output Causing Economic Strains

By James P. Sterba

TOKYO, Jan. 16 (NYT).—The rice revolution in Asia, while easing the threat of mass starvation, has begun to cause economic strains as production soars, prices fall and markets for traditional rice-exporting countries dwindle.

These strains, officials of exporting countries charge, are being aggravated by the United States, which has led "the world in rice exports for five years by selling rice under the Food for Peace program on easy credit terms that smaller countries cannot match."

The use of high-yielding "miracle rice" varieties, along with greatly improved growing methods, has increased overall production in Asia to the point that some experts are predicting a net surplus in the region, within three years. The effects of jumps in production, however, are already being felt and efforts are under way in many countries to diversify crops.

After years as a major world importer, India announced last week that it had achieved self-sufficiency in rice production.

Japan, a rice importer four years ago, amassed a surplus last year of nearly seven million tons and for two years has been paying farmers not to grow rice.

Officials in Burma and Thailand, meanwhile, are predicting long-term economic depressions as rice prices fall. In both countries,

Arabs Ambush Americans' Car: Nurse Is Slain

TEL AVIV, Jan. 16 (UPI).—Arab guerrillas ambushed a Gaza city Baptist Hospital car outside the Gaza strip's Jebelieh refugee camp today, killing an American nurse and wounding an American Baptist minister and one of his three daughters, the army said.

An announcement said Miss Marla Fale, 46, of Ringgold, La., died of injuries suffered in the attack.

Military sources identified the other two wounded persons as Edward Nicholas, 47, of Austin, Texas, administrator of the Gaza Baptist hospital and his daughter Carol Bird, 17. They are not on the critical list.

The sources said Arab guerrillas two years ago ambushed a car Mr. Nicholas was driving as it approached Gaza city's railroad intersection. Another daughter of his, Mary Ann, then suffered light injuries.

Reds in Rome Plan Campaign For Permanent Free Transit

ROME, Jan. 16 (NYT).—A no-fare transit project, tested for nine days in this city recently, seemed today on its way toward becoming a hot political issue.

The Communist party charged that some city hall departments were unenthusiastic about the experiment, or had resorted to outright sabotage, and the party announced it would organize a "rally" on a broad front for free public transportation.

In the experiment, from Dec. 30 to Jan. 7, passengers on all buses and streetcars in Rome rode for free. The idea was to induce commuters and city dwellers to leave their cars at home and thus relieve traffic congestion.

While the no-fare plan is under heated discussion, another traffic proposal is being aired here and in Milan, Italy's second largest city—tolls on all private cars entering high-density urban areas.

The free-ride experiment was discussed in a special meeting of Rome's traffic commission and other experts yesterday. Traffic Commissioner Benito Casaro and the presidents of the two municipal transit systems, Giorgio La Morgia and Luigi Tinazzi, reported that the temporary suspension of bus and streetcar fares—averaging eight cents—brought an increase in passengers of almost 50 percent during the test period.

No More Speed

The traffic officials said also that the rolling stock of the transit network had been far better utilized than usual, but conceded that buses and streetcars had not

Czechs, E. Germans Cross Border Freely

BERLIN, Jan. 16 (Reuters).—Hundreds of East German tourists streamed into Czechoslovakia yesterday, the first day of new border regulations under which they no longer need visas or passports to enter the country.

The East German news agency ADN reported that many of them crossed into Czechoslovakia through a border point at Oberwiesenthal opened to cope with the increased traffic.

The new regulations also apply to Czechoslovak crossings into East Germany, and ADN said many took advantage of the opportunity today. Similar regulations came into force on the East German-Polish border at the beginning of this month as part of an "open-frontier" policy agreed between the three neighboring Communist countries last year.



MUTINY—Inmates of riot-torn prison in Nancy, France, on roof of the main building.

6th Recent Disturbance by French Convicts

"It's called the old game of how to lose friends in Asia and win elections in America," a diplomat commented.

The official reason given for maintaining the acreage level was that there would be an increased foreign demand this year, specifically from South Korea.

But Japanese officials suspect that "diplomatic pressure" was applied to the South Korean government to buy more American, less Japanese, surplus rice. Japan sells rice on the same easy credit terms but has less political influence than the United States. More than half of Japan's 1970 rice exports went to South Korea.

Japan has so much surplus rice that she turned nearly a million tons of it into animal feed last year and sold it at a loss of \$340 a ton.

Meanwhile, rice consumption has been steadily declining in Japan as diets move toward consumption of more meat, vegetables and fruit.

Japan has had the economic health to weather her rice glut, despite large amounts of American rice entering the Asian market.

The smaller rice-exporting countries of Asia, however, expect their rice surplus problems to grow.

Rioting Damages Prison in Nancy

By Henry Giriger:

PARIS, Jan. 16 (NYT).—France's trouble-ridden penitentiary system was hit yesterday by a new outbreak that wrecked a large part of the prison in Nancy.

The prison was the sixth to be affected by disturbances in recent days. Minister of Justice René Pieven rushed back to Paris from a weekend in Brittany and warned that police and military forces had been placed at his disposal "to oppose any attempt at subversion in the prisons."

Authorities today transferred to other jails 150 prisoners who did not take part in yesterday's mutiny at the Nancy prison, specifically from South Korea.

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Mr. Pieven accused "certain subversive elements" of using prisoners "to provoke dangerous agitation with articles calling for immediate revolts in the nation's prisons, Reuters reported."

"The real goal of the troublemakers is to hinder reforms that have been decided so as to be able to cultivate reasons for agitation," he said.

Mr. Pieven did not name anyone, but his chief spokesman ac-

cused Jean-Paul Sartre, the leftist philosopher and writer, of inci-

ment with articles calling for the endangering of the security of other nations."

"The Soviet Union and other countries are fully justified in protesting the stationing of three American warships in the region," the paper said. "We have even a greater right to protest this unwise action which certainly is against the interests of the regional security and demands that the United States should review its wrong policy, to say the least, and leave the Persian Gulf as soon as possible."

Iranian annoyance at the U.S. action was more explicitly expressed in a sharp editorial in the usually pro-American Tehran press. A leading Persian daily expressed surprise at the U.S. move which "may lead to the endangering of the security of other nations."

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Iranians to Try 120 Communists On Subversion

Shah Warns Powers on Persian Gulf

By Marvine Howe

TEHRAN, Iran, Jan. 16 (NYT).—Shah Mohammad Reza Pahlavi has warned the big powers and non-Gulf Arab countries against establishing a military presence in the Persian Gulf.

Iran appears determined to assume responsibility for the security of the vital waterway that serves the region containing 70 percent of the world's oil reserves.

The Iranian role as custodian of the gulf was the principal theme in a 90-minute audience in French granted by the Shah yesterday to a small group of Swiss and American newsmen. The 51-year-old monarch, appearing serious and somewhat tense, received the visitors in his opulent office in Niavaran Palace, nine miles from the center of Tehran.

"We have declared before that we would not want to see any foreign presence in the gulf—England, the United States, the Soviet Union or China—our policy hasn't changed," the shah declared. This is in response to questions to the U.S. agreement to keep naval facilities at Bahrain after Britain's withdrawal of forces from the area at the end of last year.

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Iranians to Try 120 Communists On Subversion

The Shah of Iran



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said, adding: "How many times can you repeat the Vietnam experience?"

Emphasizing that Iran had no "imperialistic designs," the Persian ruler expressed the conviction that his country had an important role in the gulf to promote the security and stability of the region and also contribute to the technical needs of some of the countries in the area.

Emphasizing that Iran was building up its defenses in the Persian Gulf and had plans to extend them to the Gulf of Oman, the shah declined to identify possible enemies, except to say they were "all those who would be against free navigation and all who have as principal aim and interest the instability of the region."

He pointedly warned the Arab states not to try to find a vacuum in the gulf to "try to revenge themselves" for frustrations on the Israeli front.

The shah bitterly attacked Iran for the recent mass expulsion of an estimated 60,000 Iranians as reprisal for Iran's seizure of three Arab-ruled islands.

"They must look out," he said. "One can go just so far in the policy of provocations; after a certain point it can no longer be accepted."

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Obituaries

William H. Grimes, Ex-Editor Of the Wall Street Journal, 79

NEW YORK, Jan. 16 (NYT).—William H. Grimes, 79, a former editor of the Wall Street Journal who won a Pulitzer Prize for editorial writing in 1946, died Friday.

He traveled any faster than before the experiment.

The Traffic Commission was told that since the no-fare period had ended, everything was again as it had been before—traffic was chaotic, buses were slow and buncheted together, and the number of passengers was back to normal.

Communist city councilmen contended that the no-fare system must be coupled with a permanent ban on all private autos in the city center. To prepare such a traffic revolution, the Communists said, the city ought to enlarge the existing system of marked traffic lanes that are reserved for buses and taxis, rigidly enforce all street rules, and buy new equipment.

The powerful trade union movement, comprising Communist and non-Communist groups, has been campaigning for free urban transportation for some time. The unions insist that a ban on private cars and a no-fare transit system in urban areas would cost the community less, on balance, than the present traffic anarchy.

The free-ride experiment was discussed in a special meeting of Rome's traffic commission and other experts yesterday. Traffic Commissioner Benito Casaro and the presidents of the two municipal transit systems, Giorgio La Morgia and Luigi Tinazzi, reported that the temporary suspension of bus and streetcar fares—averaging eight cents—brought an increase in passengers of almost 50 percent during the test period.

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The traffic officials said also that the rolling stock of the transit network had been far better utilized than usual, but conceded that buses and streetcars had not

Lebanese Leader Warns Israelis

BEIRUT, Jan. 16 (NYT).—Premier Saeb Salam said yesterday that orders had been issued to Lebanon's armed forces to fight off any Israeli attack against Lebanon.

Mr. Salam made the announcement after holding further meetings with the army commanders at the Ministry of Defense. The 18,000-man army had been placed in a maximum state of alert following the warning issued by the Israeli Chief of Staff David Elazar Friday.

Mr. Elazar said that Israeli forces would strike into Lebanon if Arab guerrilla activity emanating from there is not halted completely.

The warning was transmitted Friday to the Lebanese government in writing through the United Nations Mixed Armistice Commission.

DEATH NOTICE

LANE — Bernard J., beloved husband of Jeanne, died on Jan. 16, 1972. The funeral service will be held at the American Cathedral, 23rd and George V, on Wednesday 10:30 a.m. at 10:30 a.m.

Session Resumes Tomorrow

A Busy Year Ahead for Congress

By Richard D. Lyons

WASHINGTON (UPI).—Congress returns for its second session Tuesday and on Thursday President Nixon will tell the Democratic Congress what he wants it to do in this election year.

These may be the last civil words between them in this highly political season, when nearly a dozen members of Congress are trying to take Mr. Nixon's job away or turn his policies around.

The session need not be a negative stand-off—as were those of 1948 and 1960—just because the White House and Congress are controlled by different parties in an election year. In several major areas—such as welfare reform and health insurance—a majority of Democrats want the same things Mr. Nixon does, only more so. The fight will be over degree and limits spending.

Another unfinished piece of business for the House is the conference report on the campaign spending bill, which requires disclosure of political donations and limits spending.

The first major bill before the House will be a measure to strengthen the Equal Employment Opportunities Commission. Civil rights groups want it to be able to issue cease-and-desist orders against discrimination in jobs, but the House approved the administration bill to permit it to seek court orders.

Also awaiting Senate action is a higher education bill tying, as the House did, aid to colleges

with high schools desegregate. This could produce a rash of anti-busing amendments, as it did in the House.

The Senate also has scheduled early action on a constitutional amendment approved by the House guaranteeing equal legal rights for women and men. In the past, the Senate has made this unacceptable to women's groups by adding exemptions.

The Supreme Court may have made the fight unnecessary by ousting discrimination because of sex.

Housing legislation must be extended, but a bill taking shape in the House that is designed to scatter the cities' poor through the suburbs may be too ambitious.

If the Strategic Arms Limitation Talks produce any agreement, this could take up a good deal of time in the Senate.

There are also more than a dozen appropriation bills to pass to keep the government operating. There will be plenty for Congress to do, even if Mr. Nixon tells it nothing more on Thursday than that the state of the nation is good and will get better all year long.

Heart Attacks and Life-Style

By James T. Wooten

CLAXTON, Ga. (NYT).—Lonnie Palmer is a black man who eats all the wrong foods, lives in a drafty sharecropper's house, chews tobacco, works seven days a week, never takes a vacation and is known to sip a little whisky from time to time.

Aubrey Strickland, on the other hand, is a white man who resides in a \$40,000 home, keeps to a strict diet, rarely takes a drink and spends his annual three-week vacation out of town.

Nevertheless—according to the first such study of a total community—Mr. Strickland, 50, an affluent bank executive, is more likely to suffer a heart attack than Mr. Palmer, 51, the poverty-ridden sharecropper. This is not because of race, but simply because one lives at a higher status level than the other.

The study began here in Evans County on that premise and although Dr. Hanes insists that his role has been "like Tom Sawyer getting the fence whitewashed" he has in fact been its founder, fund-raiser and source of inspiration, traveling to many foreign countries to recruit experts.

A high-fat diet is common among the rural poor of both races across the South. Cheaper meats, including some wastes and luncheon meats, are popular on the tables of the poor. Super-food programs administered by the government are generally quite high in fats, starches and carbohydrates. Moreover, fried foods are more expensive, the raw hog lard, which is enormously high in animal fats and is therefore regarded by most physicians as unhealthy.

Among those who have contributed to the research are epidemiologists from the University of North Carolina, U.S. Public Health Service officers and scientists from Duke University, Rockefeller University, Rochester University, the University of Michigan, Sweden's Karolinska Institute, England's Isle of Wight Pathological Laboratories and schools in Norway and Italy.

It was a huge undertaking. A total of 3,002 people out of Evans County's relatively stable population of 7,000 was involved, including everyone over 40 years of age and half of those between 15 and 39.

The research project was officially sponsored by the University of North Carolina's department of epidemiology, but its total cost—not yet determined—will be shared by several other institutions.

The project encompassed the entire social and economic spectrum in the community, reaching from impoverished sharecroppers like Mr. Palmer to Mr. Strickland, the \$20,000-a-year vice-president of the Claxton Bank. Both of them enthusiastically committed themselves to the pesky regimen of urine samples, blood tests, interviews and examinations.

Their willingness to cooperate in the study is about the only thing they have in common.

Mr. Strickland's work schedule is consistent, but it is not physically demanding. He spends much of his day behind the walnut desk in his office, interviewing customers seeking loans, talking on the telephone to financial institutions in other communities, dictating and supervising the personnel operations of the bank.

The administration's mild health-insurance bill has not moved. In the Senate, proposals range from a program of cradle-to-grave federally financed health insurance to one limited to covering catastrophic illness. Passage this year seems doubtful. The program has not had a sufficient gestation period, said a Senate staff man who recalled how long

it took to enact Medicare for the aged.

Both the House and Senate must act soon after they return to clear the foreign aid bills until them up until the week before Christmas. The House still must approve the conference report on the foreign aid authorization, and the Senate must pass an appropriation.

Another unfinished piece of business for the House is the campaign spending bill, which requires disclosure of political donations and limits spending.

The first big issue before the House may be a bill increasing the minimum wage from \$1.60 to \$2 an hour and extending coverage to state and local government workers.

The administration wants to stretch out the rise toward \$3 and offers extended coverage. A stronger bill is expected to pass.

Congress is expected to vote billions more to clean up the nation's waterways, and in a way closer to the strong federal controls included in the bill passed

all of my patients from the lower social-achievement levels," he added.

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It is a busy routine with important responsibilities and although he says he does not take his problems home, he appears older than he is.

When the sun rises on the farm

Portrait of the Carefree Woman: She Smokes

By George Getze

BERKELEY.—Women who smoke cigarettes are more inclined to be extreme and carefree in their mode of life than women who do not, according to a University of California at Berkeley statistician.

33—Addressing briefly the question of communal strife in East Pakistan, Dr. Kissinger asked whether anyone would be in a position to know that massacres were occurring at the time when they took place. Mr. Helms indicated that we might not know immediately, but we certainly would know after a massacre occurred.

34—The meeting was adjourned at 12:10.

35—Mr. Helms then stated that

He said that smaller babies

born to smokers are "due to the

smoker, not to the smoking."

36—Mr. Yerushalmi explained by pointing out that smoking cigarettes is only one specific char-

acteristic of the kind of women who are most likely to have small babies. It is not the cause of the smallness.

Women who smoke are more likely to drink and indulge in other habits to excess, according to Mr. Yerushalmi. "In general, the nonsmokers are revealed to be more moderate than the smokers, who are shown to be extreme and carefree in their mode of life," he reported.

These findings raise doubt that cigarette smoking acts as an outside factor which interferes with the development of the fetus.

They support a hypothesis that smokers represent a group of people whose reproductive experiences, such as having small babies, would have been what it was whether or not they smoked.

They thus support the idea that smoking cigarettes is irrelevant when it comes to having smaller babies or, at most, is only one of many factors.

Mr. Yerushalmi said earlier studies that have indicated a cause-and-effect relationship between smoking and small babies violated the scientific principles of statistical investigation.

They did so by dealing with what he called "self-formed" groups—that is, with women who determined themselves to which group they belonged.

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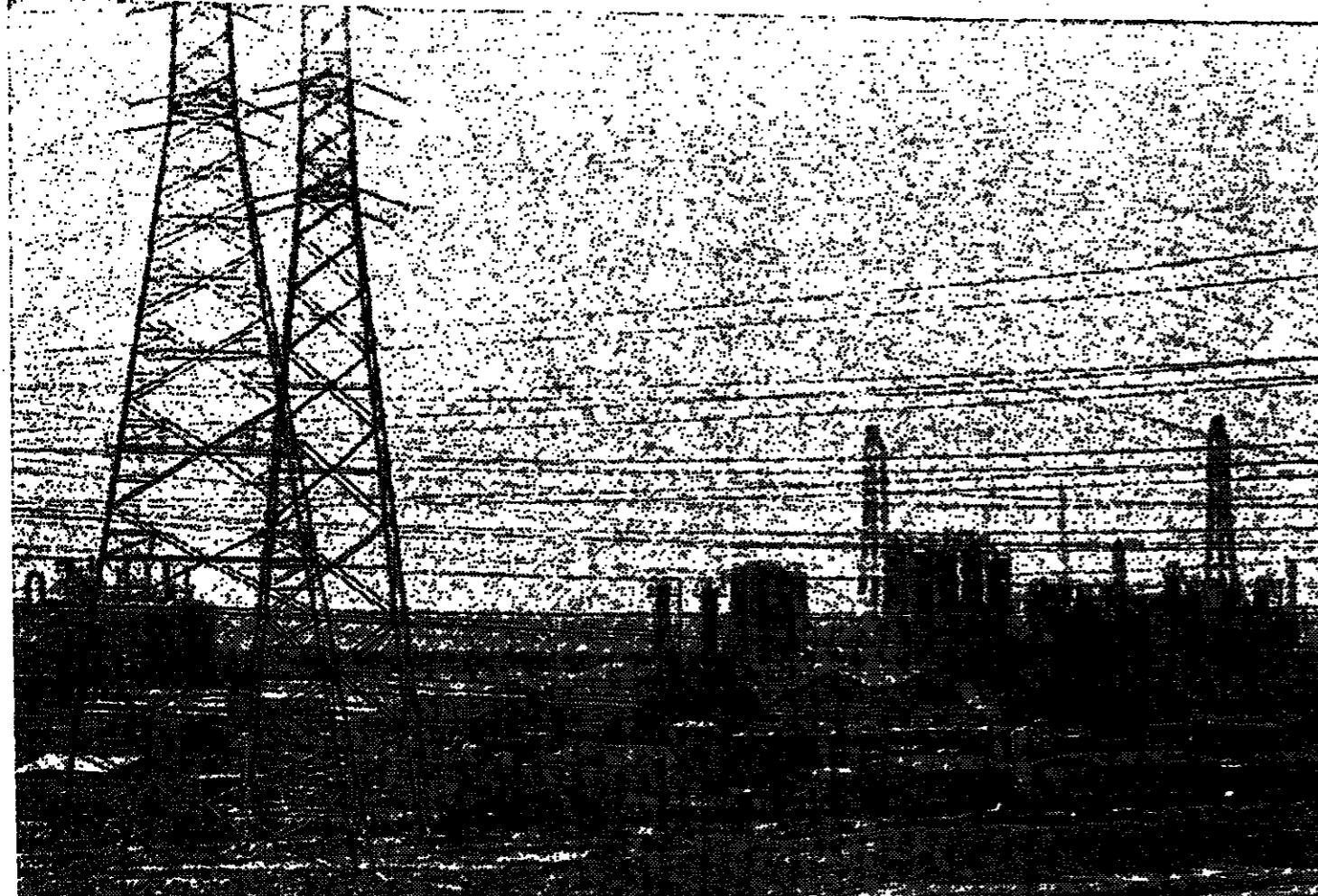
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Special Report



Photo—A chemical plant in Chiba prefecture, east of Tokyo—by Sam Lee Jones.

Japan and the United States...

By Selig S. Harrison

TOKYO (CWP)—With emotionally charged disputes over textile imports and yen revaluation settled at last, Japan and the United States are moving into a new and more relaxed phase in their troubled economic relationship. The near future, in the view of some, offers unprecedented hope for a gradual moderation of trade and investment disputes.

This is the official U.S. estimate here in the confident aftermath of the Washington monetary agreement. But it is clearly not how Japanese leaders view what has been happening in recent months, and the sanguine American mood contrasts markedly with the climate of tense determination among Japanese economic planners.

In Japanese eyes the textile and revaluation issues were not "set-

led" equitably, by agreement, but rather by humiliating Japanese retreat in the face of superior American strength. The conclusion drawn in Japan after going through the "Nixon shock" treatment is that the Americans are likely to be less and less dependable as economic partners in future years.

Given present U.S. plans to let overseas investment outlays and military spending abroad continue at high levels, Washington will suffer returning balance of payments deficits; in this view, inevitably bringing renewed attempts to make Tokyo and other "friends" serve as scapegoats.

Long-Term Strategy

Fearful of an endless cycle of American pressure for ever more trade and investment liberalization, Japanese economic officials

are mapping a long-term strategy designed, as in past years, to stretch out their concessions to the United States over the longest possible period of time.

There are few signs of a readiness to make the single, quick package settlement envisaged by Treasury Secretary John Connally at the time of the Washington monetary agreement.

Japanese officials contend that the monetary settlement came only after the United States gave up its earlier attempt to exact sweeping trade concessions as part of the bargain for removal of the 10 percent import surcharge. They suggest that Mr. Connally lost his most potent bargaining weapon when he ended the surcharge and questioned whether the U.S. will be able to make good on its threat to defer congressional action on raising the gold price pending desired

Japanese and European concessions.

The new strategy toward the United States being devised here distinguishes sharply between trade and investment liberalization as areas where Japanese interests dictate differing approaches. In the case of trade Japan appears prepared for a gradual relaxation of import restrictions over the years, eventually resulting in the removal of most of the barriers designated as illegal by the General Agreement on Tariffs and Trade (GATT). But U.S. demands for the right to set up wholly-owned or U.S.-controlled subsidiaries of American firms here arouse more determined Japanese resistance.

Trade Imbalance

The bilateral trade imbalance between Japan and the United States has jumped abruptly from \$1.2 billion in Japan's favor in 1970 to nearly \$3.4 billion in 1971. American officials see little chance for a sharp downturn in this figure during 1972, despite the impact of revaluation.

The basic factor determining the size of the imbalance will be whether the Japanese moderate their export thrust, these officials say. They point to recent statements by business leaders that revaluation might prevent expected increases in the \$7.5 billion level of exports to the United States recorded last year but would not mean a decline.

Tokyo knows that the rapid growth in the trade imbalance requires increasing import liberalization gestures in addition to its promise of a new "orderly marketing" policy restraining exports to the United States.

Japanese experts contend that cost-price differentials will continue to hamper the competitiveness of U.S. imports in the Japanese market, however. They are doubtful whether even the most far-reaching import liberalization would basically alter the imbalance.

This is why the Japanese are girding for stepped-up pressure for investment access from U.S. firms on the plea that foreign business cannot really compete in the Japanese market without the ability to set up manufacturing operations here and take advantage of the same wage levels available to Japanese companies.

U.S. Threat

Historically, Japan has always resisted efforts by foreign business interests to gain an equity stake in Japanese enterprises, fearing that foreign investment would be a precursor of alien political control. Nationalist antagonism to foreign investment is still deeply rooted today and has been reinforced by the growth in the power of U.S.-controlled multinational corporations in Canada and Europe. If Japan lets down the bars to U.S. business investment, they maintain, going beyond the present acceptance of 50-50 joint ventures in selected industries, Japan, too, will face the danger of becoming a U.S. economic province.

Japanese bureaucrats and business leaders believe that the Nixon administration's recent moves to resume the U.S. balance of payments have been consciously designed with an eye to protecting the worldwide position of U.S.-based multinational firms as a spearhead of American in-

...And Western Europe

By Ray Vickre

AMSTERDAM (AP-DJ)—The Japanese are looking to Europe as the most fertile field for future overseas investment as trade difficulties mount with the United States.

Some sources estimate that Japan's current total overseas investments of \$3.5 billion may rise to more than \$10 billion over the next five years, much of it to be channeled to Europe.

"Expansion of the Common Market should give new impetus to economies of this area," said Kazuo Sonoda, general manager of the Bank of Tokyo's Düsseldorf branch. Then he cautioned: "But Japan must not repeat the mistakes it made when moving into the American market. We must follow an orderly export policy."

His meaning: As the Japanese move overseas, they shouldn't make too many waves in the new markets. That may be a difficult task as more and more Japanese merchandising teams fly into Europe in an economic onslaught. Four prongs are visible in this invasion:

• A push for more exports from Japan to Europe.

• An expansion of Japanese banking and financial services abroad so that Japanese businesses needn't rely only on foreign banks.

• An acceleration of Japanese direct investments abroad, following a well-trod American route.

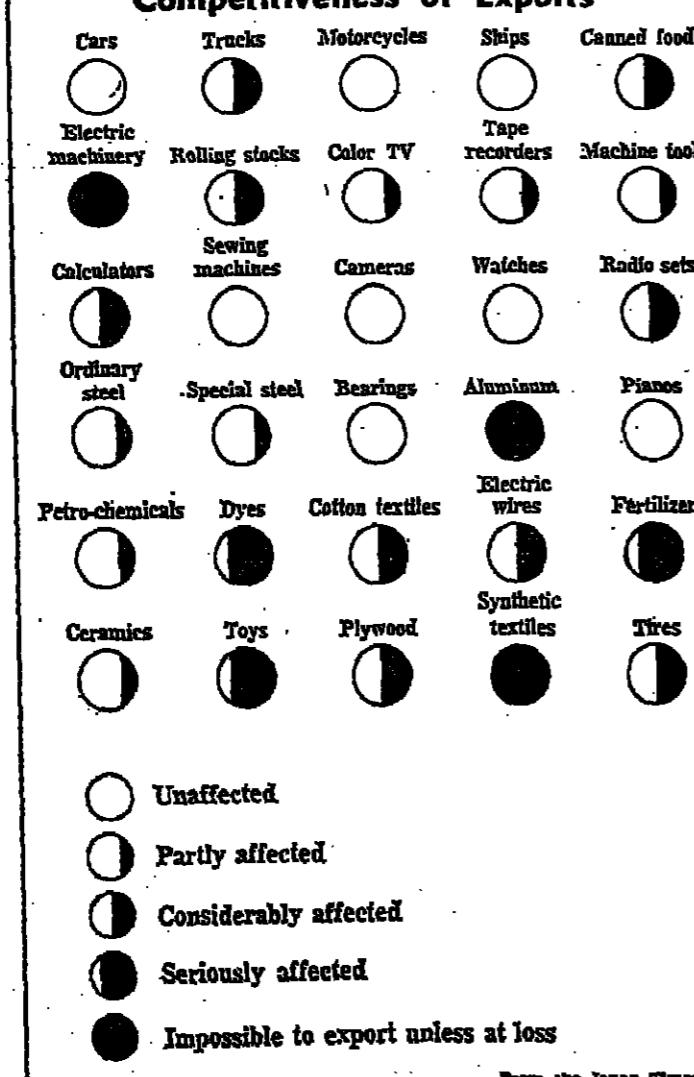
• And rising interest in joint ventures with foreign companies, partially to temper criticism of Japanese trade methods.

Another development is just emerging from the uncertainties of the monetary crisis. Japan is becoming a very interesting market for Europe," Mr. Sonoda said. This suggests additional bargaining leverage for Japan as it negotiates trade concessions with the Common Market. It also suggests stiffer competition for American exporters selling the Japanese market.

Japanese exports to Europe are already gaining ground. In Rotterdam, J. Matsumura, manager of the year-old Osaka Merchandise Center, is enthusiastic about business prospects. So far, 11 firms are using the center to promote their products. His goal is 80 companies.

Japanese auto sales are also

How Upvalued Yen Affects Competitiveness of Exports



—From the Japan Times.

The Economy Enters a New Era

By Fowler W. Martin

TOKYO (AP-DJ)—Japan's economy enters a new era in 1972, one in which many of the goals, policies and practices of the post-war recovery period must be replaced or significantly modified.

Failure to make rapid, measurable progress could result in a return to conditions similar to those prevailing in 1971, a year in which the Japanese economy was shaped more by events than by design.

The Japanese government is in the position of the driver of a racing car designed solely to outdistance and outlast any opposition. Years of continuous competition have resulted in improvements so that the car is almost unbeatable.

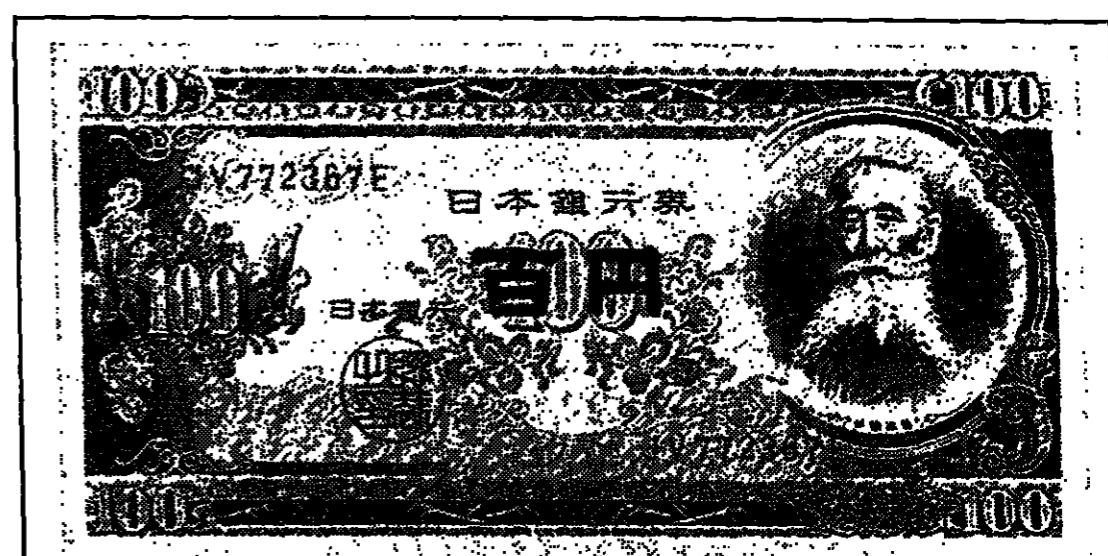
Suddenly, the driver is told that he has won so many races he must move up to a new class if he wants to continue to compete on equal terms. This class requires that drivers race cars possessing all the characteristics of a comfortable family sedan as well as high performance.

It isn't possible to order a new car. The old one must somehow be modified before the next race. But are the existing components suitable? Do the mechanics understand the required design? How long will it take the driver to learn the new handling characteristics?

A Consensus

Japan's government and business leaders have arrived at a general consensus of what is necessary in the country's new economic era: the goals of the economy must be predominantly qualitative rather than quantitative...

Government and business leaders have arrived at a general consensus: The goals of the economy must be predominantly qualitative rather than quantitative... social welfare improvements must take precedent...



The Value of the Yen

January, 1972 January, 1971

U.S. Dollar	313.92	359.02
British Pound	800.97	860.67
French Franc	60.29	65.07
Swiss Franc	80.15	83.36
Belgian Franc	6.99	7.23
German Mark	96.29	98.61
Dutch Guilder	96.55	99.93
Italian Lira	52.88	57.64

These quotations, supplied by the Bank of Tokyo, Ltd., in Paris, reflect exchange rates for the yen prevailing earlier this month against those of a year ago.

Agency is expected to receive a sizeable budget allocation in 1972 to develop an index to replace gross national product (GNP) as the principal indicator of economic progress. It is intended that the new measure, to be called an index of net national welfare, take into consideration such things as environmental disruption and general living standards as well as increases in the output of goods and services.

In short, the Japanese seeks to become what is referred to as a post-industrial society. Symbolizing this trend, the government's Economic Planning

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In many respects, 1972 isn't a propitious year for Japan to attempt to remodel its industrial structure.

Although the economy is currently growing at about 4 percent in real terms, the rate is so much slower than the pace of growth in the past five years that Japan is suffering from recession symptoms.

The primary cause of the recession is believed to be a major cyclical downturn in investment in new plant and equipment, centering on the manufacturing sector. The secondary cause is a

rather severe inventory adjustment period that was supposed to be completed by mid-1971 but which has been considerably extended by complicating factors. These factors included in 1971 a local boycott of color television sets, a sharp slowdown in domestic demand for motor vehicles, a plunge in ship charter rates and the conclusion of a non-cotton textile agreement sharply limiting the growth of Japanese exports to the U.S. In addition, business

(Continued on Page 8, Col. 1)

The Stock Market Resumes Its Climb

By Sam Lee Jones

TOKYO (CWP)—Confounding the experts, the Tokyo Stock Exchange rebounded rather quickly after the startling economic reforms by President Nixon last August. On Dec. 22, despite the continuing world monetary uncertainty and despite Japan's lingering domestic recession, trading climbed to 948,116,700 shares, the fifth heaviest volume ever recorded, and the Dow Jones average rose to 2,588.71 yen, near its level of the past summer.

This is why the Japanese are girding for stepped-up pressure for investment access from U.S. firms on the plea that foreign business cannot really compete in the Japanese market without the ability to set up manufacturing operations here and take advantage of the same wage levels available to Japanese companies.

Historically, Japan has always resisted efforts by foreign business interests to gain an equity stake in Japanese enterprises, fearing that foreign investment would be a precursor of alien political control.

Japanese experts contend that cost-price differentials will continue to hamper the competitiveness of U.S. imports in the Japanese market, however. They are doubtful whether even the most far-reaching import liberalization would basically alter the imbalance.

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1972, and the Japanese Economy Enters an Era of Sweeping Changes

(Continued from Page 7)
confidence was severely shaken in August by the so-called "Nixon shock." This involved a 10 percent import surcharge on most Japanese exports to the United States and led to the flotation and eventual 16.88 percent yen revaluation Dec. 20.

GNP Outlook

At this time last year, the economic agency and most leading commercial banks predicted that Japan's GNP would grow between 10 and 12 percent in real terms during fiscal 1971 ending March

31 1972. Mitsubishi Bank Ltd. alone took a more pessimistic view, forecasting a growth rate closer to 8 percent.

Several downward revisions later, the government's current official estimate for real GNP growth this fiscal year is 4.3 percent. Even allowing for the loss of one or two percentage points of growth as a result of the "Nixon shock" and upward movement of the yen, the economy's performance has been well below even the most pessimistic initial predictions.

The forecasters, undeterred, have ventured forth again, al-

though without the same feeling of confidence as in the past.

The economy planning agency believes Japan's GNP will grow at a real rate of 7.7 percent in fiscal 1972 (7.2 percent if Okinawa, which refers to Japan May 15, isn't included). The fiscal year begins April 1.

(Other widely published estimates range from a low of 5 percent to a high of 9.2 percent. Fuji Bank Ltd. estimates 6.6 percent and Mitsubishi, last year's maverick, has switched from relative pessimism to a position more optimistic than the government.

Mitsubishi Bank sees an economic growth rate of 8 percent in fiscal 1972.

Both the government and most commercial banks forecast that domestic business will remain sluggish for another six to nine months, with a recovery of measurable proportions not getting under way until autumn.

The government sees the recovery characterized by a gradual improvement in inventory investment, beginning in late spring, followed by strong gains in both private housing expenditures and consumer spending later in the year.

To help the recovery along, Premier Eisaku Sato's cabinet has approved an expansionary budget providing for large-scale deficit spending.

The budget, which must still be approved by parliament, specifies a 5.5 percent gain in general account spending and a 3.5 percent increase in the government's loan and investment program for public works projects. It makes up for an expected shortfall in revenue to finance general account spending that the cabinet has authorized government bond issues totaling 1,950,000 million yen (963 million) in fiscal 1972, a huge increase from the 430,000 million yen of bond issues during the current fiscal year.

The government also sees a 2.7 percent gain in private-sector plant and equipment investment in fiscal 1972 compared with a decline of 1.2 percent in fiscal 1971 from the previous year.

All of the 1972 gain will come from a sharp increase in capital spending by Japan's non-manufacturing sector. More than offsetting a continued decline in such activity by manufacturing companies, the economic planning agency said.

Mitsubishi Bank is more optimistic than the government in this area. Also, by the second half of the coming fiscal year, plant and equipment investment should be growing at a rate of 6 percent, the bank said. Although this would still be far below the 20 percent of gain experienced in recent years, Mitsubishi warned that a pronounced business upturn could incite another wave of capital expenditures only to bring on another readjustment backlash.

The Industries

Chemical and heavy industries are expected to feel recessionary effects for the longest period of time. The steel, petrochemical, industrial, chemical and non-ferrous metal sectors have large-scale overcapacity that won't be alleviated in the near future.

The auto industry must count on a continued sharp expansion of exports for growth as domestic consumers soon to be burdened with an additional auto ownership tax aren't expected to increase car purchases significantly in 1972.

Heavy machinery producers, with the exception of pollution-control equipment makers, don't see an upturn in their business until manufacturing-sector capital spending improves. Heavy electrical companies are worried about a loss of competitiveness in overseas markets as a result of the yen revaluation and the shipbuilding industry is forecast-

ing an end of the boom conditions of the past five or six years.

The textile industry, a recipient of large-scale government aid to compensate for the U.S. import quota pact, is groping for new directions in the face of a synthetic fiber production glut and a loss of competitiveness in garment manufacturing to the low-wage countries of Southeast Asia.

Light electricals present a mixed picture with cash-flow calendar moment swayed by government and falling prices. But companies primarily involved in color television, such as Sony Corp. and Matsushita Electric Industrial Co., are experiencing good results.

Construction, dressing, civil engineering, road building, housing and related industries are riding a boom brought about by big increases in government spending.

At Keidanren, Japan's big business federation, an official says the current recession and the government's desire to restructure the country's economy as bringing about a new round of industrial rationalization.

It isn't completely clear how this will proceed, he said, but he forecast that trading companies and banks, particularly those connected with the big zaibatsu groups such as Mitsubishi, Sumitomo, will be instrumental in arranging mergers, sales of certain production facilities and new groupings among the firms under their influence in the coming year or so.

Emphasis will shift to more sophisticated marketing techniques and to projects integrated with environmental preservation. New investment will be evaluated on the basis of how much high technology is involved rather than on how much of a production increase the new facilities will bring about, the Keidanren official explained.

Expenditures

Many firms will take advantage of the current recession to pare off operations of marginal profitability, becoming more specialized in the process, he predicted.

Others such as textile producers will probably initiate diversification programs, he added.

In theory, this will result in less emphasis on exporting and greater emphasis on improving the living conditions of the Japanese public, but there is considerable skepticism about the likelihood of achieving this result.

First, a changeover to high-technology industries such as computers, ocean development,

nuclear power and aerospace requires large outlays and often involves long delays until cash flow mounts.

With profit in most Japanese industries expected to decline for the third consecutive six-month term this March, corporate will ingress to spend large amounts of money in new, high-risk areas of low.

Though the Bank of Japan has successively cut its discount rate to a postwar low of 4.75 percent and the Finance Ministry has accelerated government outlays to pump money into the economy, the only result so far of all this liquidity is a stock market rally to record levels as banks and other financial institutions seek something to do with the funds.

Manufacturing companies don't want them in the form of loans at present.

Another factor mitigating against the de-emphasis of exports is the operating practices of Japanese companies. With an average debt-equity ratio of 4 to 1, with the so-called lifetime employment system and with primary emphasis placed on always having enough capacity to be in a position to increase market share, nearly all Japanese companies have very high ratios of fixed costs to variable costs.

Thus, in times such as this when there is a domestic recession, they seek to increase exports rather than cut production.

Export Picture

This is one reason why export letters of credit opened in December were a record despite the yen revaluation and one reason why many people fear Japan will continue to run embarrassingly large balance-of-payments surpluses for a good many months to come.

The Economic Planning Agency forecasts that Japan's exports (free on board) will total \$26.8 billion in fiscal 1972, up 8.4 percent from a year earlier. Imports (including cost, insurance and freight) are expected to reach \$24.5 billion, a gain of 15 percent.

This would leave a fiscal 1972 customs clearance trade surplus of \$2.3 billion, down from a surplus of \$3.5 billion this year.

The agency also sees an increased outflow of long-term capital and predicts that Japan's basic balance of payments, which includes everything but short-term capital and errors and omissions, will run a surplus of \$3.7 billion in fiscal 1972 compared with an expected surplus of \$4.6 billion this year. The agency didn't release a forecast for overall balance of payments.

Mitsubishi Bank, expecting a 1.5 percent growth rate next year, also sees a bigger payments surplus than the government and predicts that as a result international demand for another revaluation of the yen will mount in a few years. Other Japanese institutions have recently predicted a second revaluation in 1974 or 1975.

Even the government seems less willing to deny the possibility of revaluation than in the past. Senior government officials have recently been quoted as saying that the future value of the yen probably depends as much on external events such as U.S. balance-of-payments trends and the course of inflation in major industrial countries as it does on the situation inside Japan. Prior to the recent monetary crisis, the government maintained that revaluation was a matter "solely for Japan to decide."

Standard-Bearer

Officially, the government believes that trade liberalization and an increase in capital flow out of Japan will reduce balance-of-payments surpluses to a level acceptable by international standards.

Japan should be "the standard-bearer of trade liberalization," Prime Minister Sato told a cabinet meeting the day after revaluation.

Few people take him seriously, however. Beset with a basic insecurity about overdependence on imported raw materials and nurtured on 25 years of protectionism, Japanese trade concessions tend to be small in substance. That they usually take away with one hand what they give with another has been a common complaint.

Political considerations play a large role in this area, too. Mr. Sato's fourth term as leader of the ruling Liberal Democratic Party expires in the autumn, and some people believe he may step down earlier, after Okawa reverts.

His successor is expected to call a general election for the lower house of parliament. Much of the LDP's voter strength comes from rural areas where farmers are fighting any liberalization of food import barriers, and most of the party's financial strength comes from big business, which isn't anxious to have the domestic market opened any more than absolutely necessary to imports of manufactured goods.

Thus, 1972 doesn't look like a year in which the liberalization "standard-bearer" will make much of an advance.

Increasing Boldness in Venturing Abroad

of foreign exchange held here, the ministry says.

And it is encouraging Japanese to invest abroad to insure long-term contracts for the import of materials needed in this land where natural resources are scarce. For instance, Japanese have invested huge amounts in Canada, like a \$60 million stake in a coal-mining operation there.

And in Australia Japanese have shares ranging from 20 to 45 percent in multi-national ventures in coal and iron ore. Japanese investment in Australia is put at the billion-dollar level.

The rate has climbed recently and will climb more, the ministry says, because in September, 1970, the government lifted the requirement that any investment abroad totaling more than \$300,000 needed government approval. Now, approval is automatic for sums up to \$1 million.

The investments will help the government hold down the level

of Japanese have increased their foreign ventures in spite of a survey which showed that of 123 firms questioned last year, 91 said they lost money while 14 said they were making considerable profits. 14 reported slight profits and four said they were breaking even.

Some examples of Japanese investments:

Europe-Toray Industries is negotiating to help Poland construct a \$120 million nylon plant and the Mitsubishi group is being asked to handle \$160 million in construction of Polish shipbuilding and repair-dock facilities.

Nissan Motor is negotiating to build an auto plant in Hungary. The Bank of Tokyo reportedly has joined "Centropa," the "switch-house bank" in Europe for East-West trade.

Mideast-Toshiba has a 40 percent investment in a 300 million yen facility for manufacturing

household appliances in Iran. In the same country, a Japanese trading company is putting up more than 50 percent of a model rice-growing development around Gilan.

Africa-Five Japanese mining firms have joined local interests in a \$150 million venture in the Musandam copper belt in the Congo. Japanese supplied most of the finances for a \$3.5 million cotton-spinning mill in Nigeria. Interests here participated in a million-dollar Ethiopian facility for processing meat and other foods.

Latin America-Japanese manufacturers have 70 Brazilian firms, valued at about \$150 million and engaged in activities ranging from heavy-equipment making to fishing, to textile, electronics and construction. San Paulo even has a new Japanese in Brazil—at least 600,000—in any other foreign country.

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A Brief Profile

POPULATION: 104,650,000 (1970), a growth of 6.35 million since 1965, when there had been 48.3 million males and 50 million females.

LABOR FORCE: 51 million (1969), with 13.5 million in manufacturing, 11.33 million in commerce and finance, 9 million in agriculture and forestry, 7.22 million in services including the professions, 3.71 million in construction, 3.38 million in transport and other utilities, 1.56 million in government work, 470,000 in fishing and 240,000 in mining. Unions had 10.4 million members (1966) and unemployment was seven-tenths of 1 percent (1966).

AREA AND LAND USE: 369,662 square kilometers, or 142,726.5 square miles (California has 158,603 square miles, Montana 147,138). Sixty of the 660 cities (in 1965) had populations of 200,000 or more, with Tokyo, Osaka, Nagoya, Yokohama, Kyoto, Kobe and Kitakyushu the largest, in that order (1965). There were also 1,998 towns and 819 villages (1965). Of the land, 5.4 million hectares, or 16 percent, was



arable and a farm population of 8.89 million (1969) produced rice on 3.3 million hectares and field crops on 2.01 million hectares. The farm population had been 37.8 million in 1950. Forests and grassland cover about 61 million acres, 67 percent of the total land area.

DENSITY: 265.9 persons per

square kilometer (1965). Japan's population of more than 100 million lives on a land mass smaller than that of the 18 million Californians and smaller than that of the estimated 725,000 Montanans.

GOVERNMENT: The emperor is a symbol of the people's unity. He has no powers related to government, in which a cabinet, headed by a premier, administers laws enacted by the Diet, a bicameral legislature. The principal chamber, the House of Representatives, which controls the budget and approves treaties, has 486 members. Its makeup after the 1969 election consisted of 300 Liberal Democrats, 90 Socialists, 32 Democratic Socialists, 47 in the Komitei political organization, 14 Communists and 3 independents. The other chamber is the House of Councillors, with 260 members—100 elected at large and 150 from the 46 prefectural districts covering Japan.

Year in parentheses indicates year of the latest available data.

Japan and the U.S.

(Continued from Page 7)
fluence. By keeping overseas investment outflows at high levels, they charge, the United States imposes a continuing strain on its balance of payments at the same time that Japanese and other foreign businesses are being asked to curb their own foreign operations.

A recent study released by the International Trade Ministry pointed to the impact of the annual capital outflow of \$3 billion or more resulting from U.S. overseas business investment. If the United States had controlled overseas investment by these firms in the same way Japan curbs its own firms, the study said, channeling capital outlays into the domestic economy, this would have increased U.S. exports by \$12.3 billion and slashed imports by \$5 billion, yielding a favorable balance of \$17.3 billion annually.

In addition to its anxieties over possible political penetration, Japan also resists foreign control of enterprises here as a threat to comfortable patterns of government-business cooperation and distinctively Japanese modes of interaction within the business world itself.

Japan Inc.

Profit and dividend-oriented American firms insensitive to Japanese mores would disrupt the smoothly-operating mechanism of "Japan, Inc." it is argued. Foreign enterprises can be absorbed here safely, Japan feels, only if they permit at least a 50-50 Japanese share in management and respond to government "administrative guidance" just as Japanese firms would.

Since the Japanese economy is mushrooming, the absolute level of foreign capital can continue to rise without undermining the basic Japanese goal of keeping the market share held by foreign interests in each industry low enough to provide assurance of Japanese control.

Thus cumulative U.S. investment has reached \$1.5 billion, including reinvested earnings, and the number of approved joint ventures has increased from 189 in 1967 to 477 in 1970 and 540 today. But in all save a few exceptional cases, the government has not relaxed its insistence on a

maximum of 50 percent control by the U.S. partner and normally keeps the level well below this, as evidenced in Chrysler's 35 percent share in its venture with Mitsubishi motors.

The Japanese government keeps joint ventures under its control through two principal techniques. One is the manipulation of market share by industry associations. Foreign firms can not be members, and the very charter of these associations looks to policing of the industry on the basis of "past performance," which inherently rules out new joint ventures. Industry associations control distribution channels. The Japanese partner is normally guided by the rules of the club rather than by profit-oriented market evaluations.

Another important weapon wielded by the government in the enforcement of club discipline is the import quota system, giving officials a grip on the import of the components and equipment needed by joint ventures.

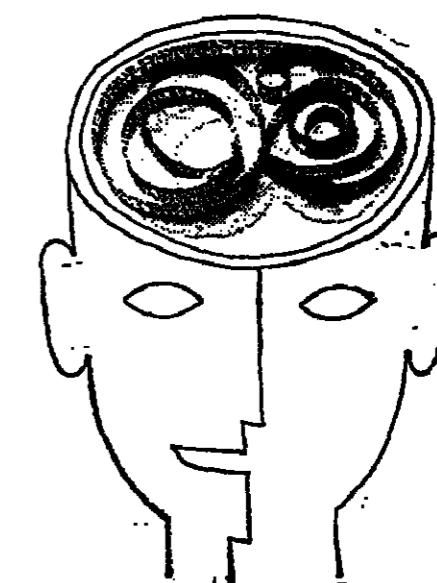
GNW vs. GNP

While the investment clash is shaping up as the most sensitive long-term issue, trade arguments appear likely to dominate the immediate economic dialogue between Tokyo and Washington.

The United States makes no secret of its hope that Japan will devote more of its resources to improving the quality of its domestic life and correspondingly slow up its export drive. This is also the hope of Japanese consumer leaders, who point to the abnormally high prices maintained in some domestic product lines to help keep export prices down.

A growing chorus of political and opinion leaders here is calling for more attention to "gross national welfare" in place of the past national emphasis on gross national product. While ranking third after the United States and the U.S.S.R. in GNP, they complain, Japan lags far behind in sevens, housing, roads, parks and other general-welfare spending.

Government leaders echo this criticism and talk of a shift away from the "production cult" of the past, but so far they have been slow to make radical changes in economic policy.



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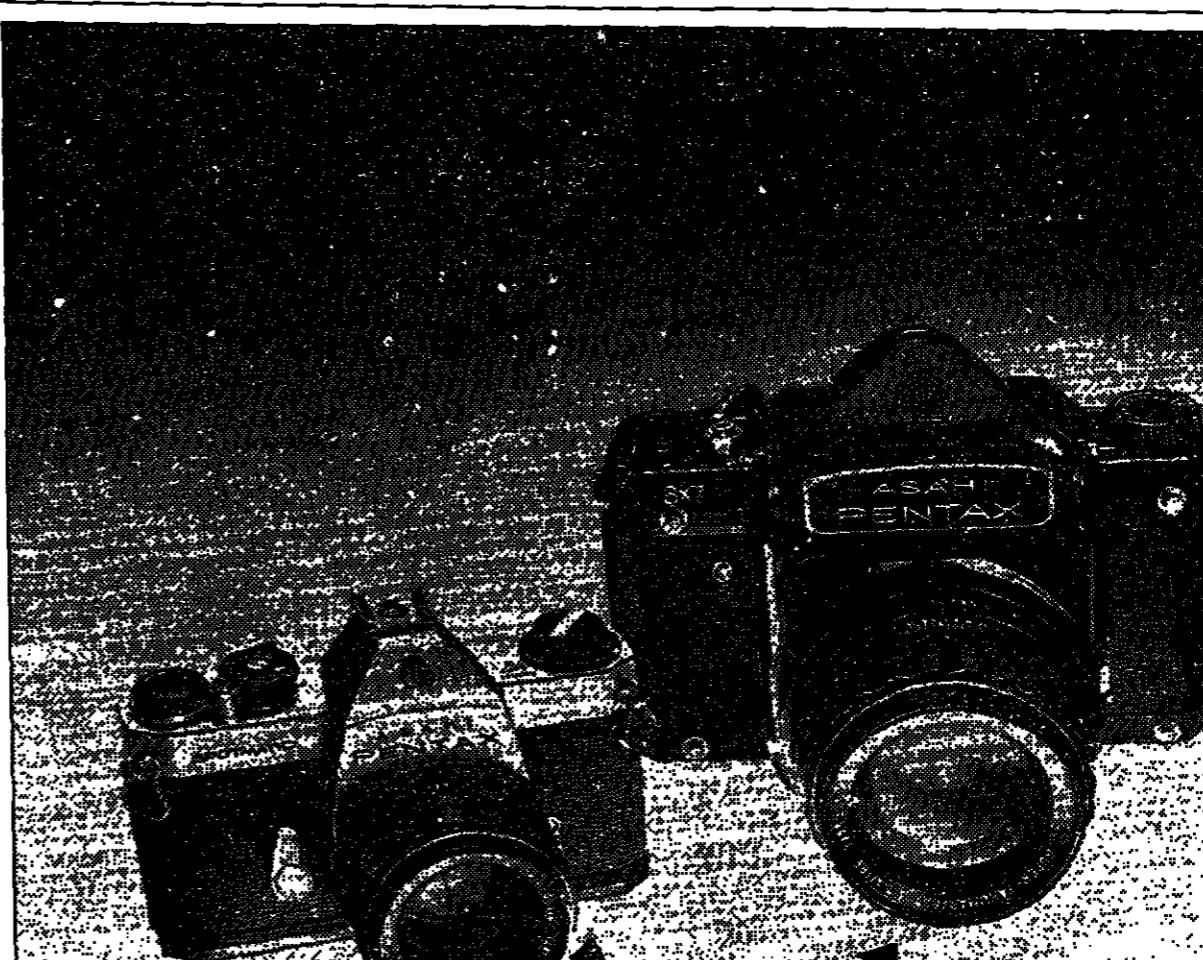
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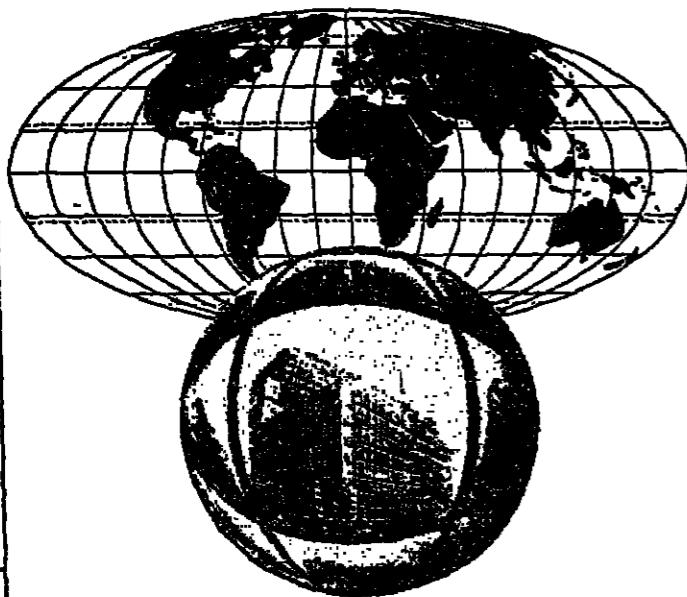
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Japan and China: Great Expectations

TOKYO (IHT)—It is widely believed that Foreign Minister Takeo Fukuda is looking eagerly for a "Japanese Kissinger" to break the diplomatic ice between Premier Eisaku Sato and the mainland Chinese.

More and more Japanese businessmen and politicians have been going to Peking to establish contacts, in the belief that China will be opened in the future to enormous non-Communist trade and with the view that Japan should get the lion's share. In such a new trade relation, it is envisioned that China could eventually produce \$300 billion in purchases of Japanese goods and services.

China's Premier Chou En-lai himself said this past year that perhaps in 20 years China might be able to provide Japan with the natural-resources materials it needs.

But other statements by Mr. Chou have been widely interpreted to mean that China will not move toward diplomatic relations with Japan—and therefore toward dramatically greater commercial ties—as long as Mr. Sato is the Japanese premier.

In fact, Japanese visitors to Peking indicate that just about the only Japanese not welcome in China these days are Mr. Sato and his globe-trotting brother, Nobusuke Kishi.

The Foreign Ministry has tried to write off such reports as ridiculous, maintaining that Mr. Chou has "criticized the Sato government, not Mr. Sato as a person. It is common sense that Mr. Chou would not criticize this premier or that premier."

During 1971 one feeler was put out to China by a member of Japan's hierarchy, Shigeru Horii, secretary-general of the ruling Liberal Democratic party, used Ryokichi Minobe, the Socialist-backed governor of Tokyo, to hand-deliver a letter to the Chinese.

First Effort

It was the first letter by an official of the government or the party in power to be sent to the Peking regime.

Premier Chou refused flatly to accept the letter, Gov. Minobe reported.

It is thought that even the Peking regime feels the governments of the two nations will have to get together sometime. But, as Mr. Chou declared, "Negotiations need a long time."

From reports in the Japanese press, Mr. Chou has become perhaps the leading "Japan-watcher" in the world.

Recently, to a group of businessmen from Tokyo, he stressed what he considered Japan's inconsistencies, saying: "The Japanese economy has an extreme shortage of resources, has public nuisances, impairment of the environment and an imbalance between cities and farm villages. These are forcing Japan to expand its economy outside—which would lead to militarism."

He has made other remarks to Japanese visitors that indicate he is well versed on Japanese economic and political affairs. He suggested once that if Takeo Miki, Masayoshi Ohira, Kakun Tanaka and Yasuhiro Nakasone could join forces for easing the Tokyo-Peking strain, then Sino-Japanese relations would improve. The first three mentioned are prime candidates to succeed Mr. Sato as premier. All four have become ardent seekers of improved relations with Peking.

Mr. Chou also indicated that he wants a Sino-Japanese nonaggression treaty based on the five prin-

ciples of peace, independence, neutrality, "democracy" and prosperity.

Thorny problems to be resolved diplomatically include one with unclear outlines—the matter of war reparations.

Japanese have estimated that war reparations to China could cost this nation \$50 billion or more. But they also figure that such money could be used by China to create new markets for the Japanese markets which eventually could produce \$300 billion in purchases of Japanese goods and services.

Reparations

Akihiro Fujiyama, a leading elder of the Liberal Democratic party, returned from Peking and said that China would not demand "material reparations" but would ask Japan to accept "moral blame" for the war. This was one of the few occasions in recent times when a Japanese got a specific Chinese viewpoint on the issue. The Japanese government announced later that it was fully prepared to "apologize" for Japan. In Asia, that would constitute a very big concession.

Some observers compare Japanese business groups going to Peking with Japanese businessmen who traveled throughout Southeast Asia after the war's end to make all possible deals which would serve as unofficial, nongovernmental "war reparations."

These businessmen were highly successful after the war—not only in getting good returns on their investments but also in laying the groundwork for restoration of diplomatic relations.

This could well be duplicated by the Japanese businessmen now going to China—unhampered by diplomatic formalities, acting in their role of hard-headed businessmen dealing with practical merchants in China.

China's device for dealing commercially with nations to which it does not have diplomatic ties is the China Council for the Promotion of International Trade. This is a nongovernmental agency which represents national corporations. For trade in nations with which China has diplomatic ties, the Chinese Foreign Trade Ministry represents the national corporations.

Some Progress

Despite Mr. Chou's "hard line" toward the present Japanese regime last year, some progress toward closer ties was made when China asked permission to enlarge the staff of its trade office here, and requested that the office's staff be allowed to use diplomatic status.

Japan granted the requests and, in return, is sending to China five experts from government agencies. The five, who include specialists on agriculture, industry and diplomacy, are young men but have sufficient expertise to form the nucleus of an embassy staff.

Heretofore, communications between the two nations' trade agencies had been only by letter, so the new development is promising, indeed.

Japan is already the biggest trade partner of China, which, because of political considerations—saw its trade with the Soviet Union drop from \$1 billion rubles in 1957 to \$1 billion rubles in 1969. The total of Sino-Japanese trade set a record in 1970—\$265,477,000—and in the first 10 months of 1971, the rate for the preceding year's comparable period was surpassed by

which won't have complete totals until mid-1972, also indicating that China had 1375,000 births last year, when the population was expected to show a net growth of 1,302,000.

According to the semi-official Japan Travel Bureau, in 1972 Southeast Asia will be visited by 32,000 Japanese. Hawaii by 20,000, Europe by 6,300, Guam by 5,000 and Africa by 1,000.

For the New Year's holiday alone, Japan Air Lines scheduled 92 extra flights for Japanese visiting Hawaii. All 1,300 rooms in the American Airlines hotel in Honolulu had been reserved for Japanese.

The Japanese film industry continued in decline last year, both on the production end and at the box office.

Two production firms—Daido and Nikkatsu—folded. The largest company, Toei, earned 5.5 billion yen through November and expected income of another half billion in December. The other firms expected to average 2.3 billion yen for 1971 income.

Falling in and out of love were big pastimes last year. It had a record number of marriages—1,085,000, or enough for a rate of one every 23 seconds—but its 102,000 divorces were also a record.

Preliminary statistics from the Ministry of Health and Welfare, years earlier had 7,457.

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Textile Industry: A Time of Change

TOKYO (IHT)

The textile industry claims a proud 100-year history. In fact, it takes credit for industrializing Japan, saying that its plant-construction led the nation to make steel and heavy machinery, then to develop rail and shipbuilding facilities to move the textiles.

No one here, however, professes to know exactly what the Chinese will ask for.

One trader returned happy after signing a contract at the Kwangtung fair, but admitted: "We still don't know what they want for their new five-year plan. The whole country is still a mystery to us."

Another Japanese executive, Toyota's vice-president for sales, Seishi Kato, came back after arranging a Chinese purchase of 152 two-ton trucks. But the payment by the Chinese poses a problem: they're buying the trucks with oil, soy and red beans and chicken feathers.

"It is difficult to promote auto exports to China with barter trade," Mr. Kato said with a sigh.

Barter trade is the latest form of doing business with the Chinese. The Japanese are waiting for the Japan Export-Import Bank to approve loans to underwrite sales to the Chinese.

Now, after 1971 turned into a disastrous year for textiles here, the industry thinks the government is ungrateful, shortsighted and, in fact, liable for damages to what it has done to the textile people.

The accord hit the textile industry and the workers hard. The industry, which had 200,000 members, and the Japan Textile Federation filed suits against the government, charging that the agreement was unlawful because it had not been approved by the Diet and because it violates the constitution's article 22, which guarantees freedom of occupation. The government says it has "sufficient legal grounds to protect itself from any legal action."

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Audio Guide

Hi-Fidelity Into New Era

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TOKYO—There is no question in anybody's mind around these parts today that the topic of the day in the world of stereo is "4-channel." If there is any feeling of doubt on the matter, all one has to do is to tune in the TV set and watch the commercials go by. Every audio maker in the country is playing up the virtues of 4-channel sound.

The trend came into bright focus last October 20 when the Japan Audio Fair was held in Tokyo. More than 60,000 eager spectators crowded the fair site from morning to night, coming from all parts of the world to find out what the Japanese audio makers have up their sleeves.

The audio event was the 20th to be held annually. More than 60 firms participated, introducing their latest products and the results of research projects. And the most outstanding

feature of the show has been the dominating emergence of 4-channel sound for stereo.

The enthusiasm for 4-channel sound at present has reached a state which is reminiscent of the situation at the time when basic stereo first came into existence. Audio fans and makers alike have indeed reached a new high in zeal in their search for ever better sound, and 4-channel seems to be the answer to their desires.

At the fair and subsequently, various 4-channel systems have been put on the market for the public. In addition, recording tapes, players, amplifiers and speakers have come into being one after another, all suited to 4-channel sound purposes.

A noteworthy development has been the appearance of new models of tape recorders, designed for the new, high per-

formance tapes. In particular, recorders for cassette tapes have drawn wide attention. They come in all sizes and shapes, from midget models for recording to high-class models for use in a stereo deck.

In recent days, progress has been seen in the development of tapes enabling cassettes to be used for hi-fi sound.

Undoubtedly, the renewed interest in stereo aroused by the 4-channel trend has been a contributing factor in maintaining high public interest. Amid this scene, however, 2-channel stereo has not been idle, making up by improving quality what it lacks in novelty.

For audio fans, 4-channel stereo has opened up an entirely new horizon, offering infinite possibilities. The general public has definitely become involved through publicity on TV and in printed media, and this fact has been reflected in sales.

In addition to audio trade journals, newspapers in general are publishing frequent special pages devoted to audio news, centered on 4-channel development. Meanwhile, 4-channel records have become common articles for sale, covering the classics, jazz and popular music fields.

Some of the popular 4-channel equipment which has been introduced includes:

Open-reel tape deck as component for 4-channel system.

Stereo models which can be converted to 4-channel, making them usable either as 2-channel or 4-channel equipment.

Four-channel model which can convert any 2-channel

Four-channel demodulator with matrix system.

Four-source, 2-signal, 4-channel matrix system, etc.

To a lot of stereo fans around the world, the mere mention of 4-channel stereo and Sansui Electric are matter of course. Most of them heard of both at the same time.

Sansui Electric is one of many post-war electronic and audio equipment specialists to emerge around the world. In fact, in Japan, it is the oldest audio only maker in a country that boasts a huge and diversified electronics industry. It is the company that introduced the first stereo integrated amplifier manufactured in Japan.

While many electronic companies in Japan make a wide and diversified line of equipment, Sansui is unique in that it has consistently made only audio—and high fidelity audio at that—products.

Initially a maker of receivers, integrated amplifiers and power amplifiers, the company gradually expanded its line over the past decade to include speaker systems, turntables, stereo headphones, sets, reverberation amplifiers and various taping components from open reel to cassette tape decks.

With the introduction of the age of 4-channel sound about a year and a half ago, Sansui was again a leading force behind the trend.



Assembly line of stereo receivers.

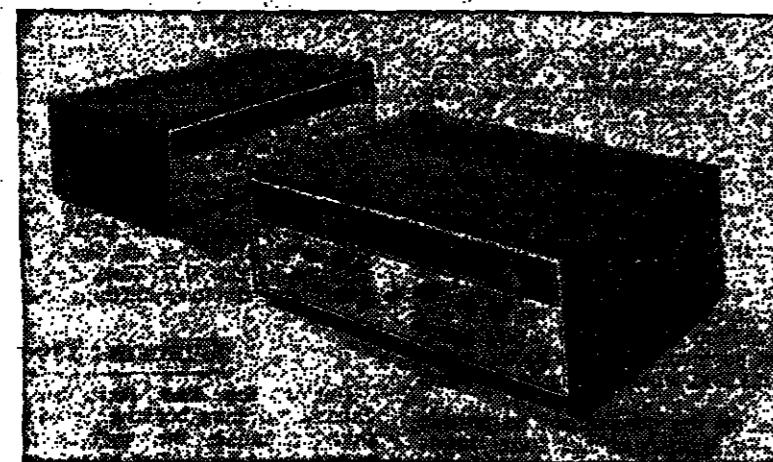
of the Sansui QS system at both the recording and the receiving ends of the 4-channel picture.

Sansui not only made the QS encoder for use in broadcasting and recording studios, but also made the QS Synthesizer/Decoder or decoding matrix for use in home stereo systems.

This system enabled recording engineers to encode 4-channel information onto regular 2-channel stereo discs for future decoding in the reproduction system in the home.

As a stereo maker, Sansui incorporated its QS system into various 4-channel products. The company now offers 4-channel receivers with which to build a 4-channel system from scratch, 4-channel add-on amplifiers that are capable of converting existing 2-channel systems into 4-channel status, and other types of 4-channel products for more specialized usage.

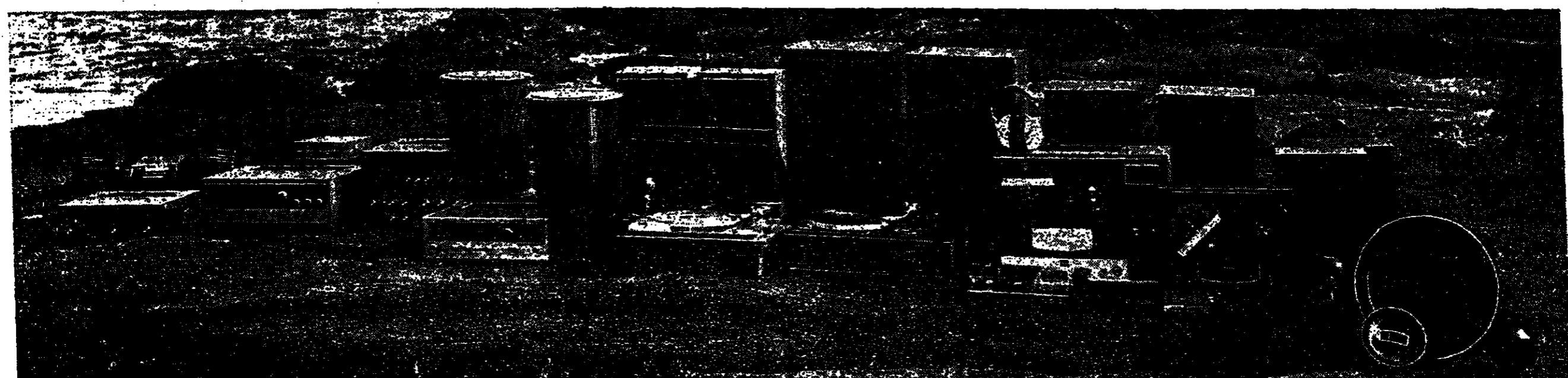
Headquarters for the company are in Tokyo, but wholly-owned subsidiary companies have been with potential.



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Cameras: The Going Begins to Get Tougher

By Sam Lee Jones

TOKYO (IHT)—Japan's camera-making, which has gained a large hold on world markets, has problems—near-saturation of the domestic market, more competition from abroad in the low and medium-price fields, well-established foreign rivals in the high-price field and rising labor costs.

A sizable part of the industry is broadening its horizon, getting into the field of small, electronic calculators. Others in the industry are cutting back on their low-price and medium-price products and concentrating on the high-price lines.

In the almost glutted home market, it is estimated that nearly 70 percent of Japanese households already own at least one camera. The unsold inventory in the hands of manufacturers and dealers in this country is put at nearly two million cameras.

To move some of that inventory,

the industry is resorting to promotion "stunts," like offering the chance of a free trip to Hong Kong or Macao when a camera is sold.

But it has to be a Japanese camera, of course—not one of the imports from Hong Kong or Singapore. And, in the future, not one of the expected imports from China or the Soviet Union.

Products from those two coun-

tries are expected to damage Japan's already injured position in the low and medium-price fields.

China's Sea Gull and Russia's Zenitie, both single-lens reflex cameras that are reportedly fine mechanically, are considered major threats to Japanese products.

The Sea Gull is expected to retail at between 8,000 and 20,000 yen here, depending on the model, and the Zenitie will probably go for about 15,000 yen.

Other Invaders

Already present in the low and medium-price fields are the invaders from Hong Kong and Singapore, plus America's Kodak Instamatics and Polaroids.

And, in the high-price range, there is strong competition from such foreigners as Germany's Leicas, Zeiss Ikon, Rolleis and Linhof. Increasingly affluent Japanese consumers are giving a big play to a Rolleiflex that costs 195,000 yen, a Leicaflex at 385,000 yen and even the 498,000-yen Zeiss Ikon Contarex SE.

But because the unsold inventory of cameras here is predominantly in the low and medium-price fields, and because the quality single-lens reflex cameras grew in exports by 26 percent while domestic sales of all cameras were dropping 22.3 percent in the first six months of 1971, Japan's manufacturers are turning increasingly to the higher-price lines.

Major Firms

The four major makers of single-lens reflex cameras, currently the most popular type in the world, are Nippon Kogaku (Nikon), Canon, Yashica and Asahi Optical (Pentax). The first three share about 52 percent of total camera production in Japan, but Asahi Optical claims that in the single-lens reflex field it alone has 24 percent of the output.

Only three of those four firms have been able to keep their production lines devoted strictly to cameras and other optical devices. Nippon Kogaku, Yashica and Asahi Optical are still concentrating mostly on cameras and optics, but Canon, like many camera-makers, has begun full-scale marketing of electronic calculators. In fact, Canon, which changed its name from Canon Camera to Canon, Inc., had half its total sales in 1970 from office

equipment.

The office-equipment field is dominated by Ricoh, originally a maker of photo-sensitive papers but the firm that introduced copying machines in 1965. It is now said to have 90 percent of the domestic market for office equipment, with electronic calculators accounting for 15 percent of its sales. Its cameras represented only 6.4 percent of its business in the first six months of the current fiscal year, down from the 7.9 percent level of the previous six months.

Ricoh's financial reports indicate that cameras represent 86 percent of its sales, with the rest involving office equipment. Olympus Optical, which had net profits drop 65 percent in the last half of fiscal 1970, switched from its once-popular half-frame cameras to quality, higher-price cameras, and entered into production of medical instruments, facsimile equipment and tape recorders.

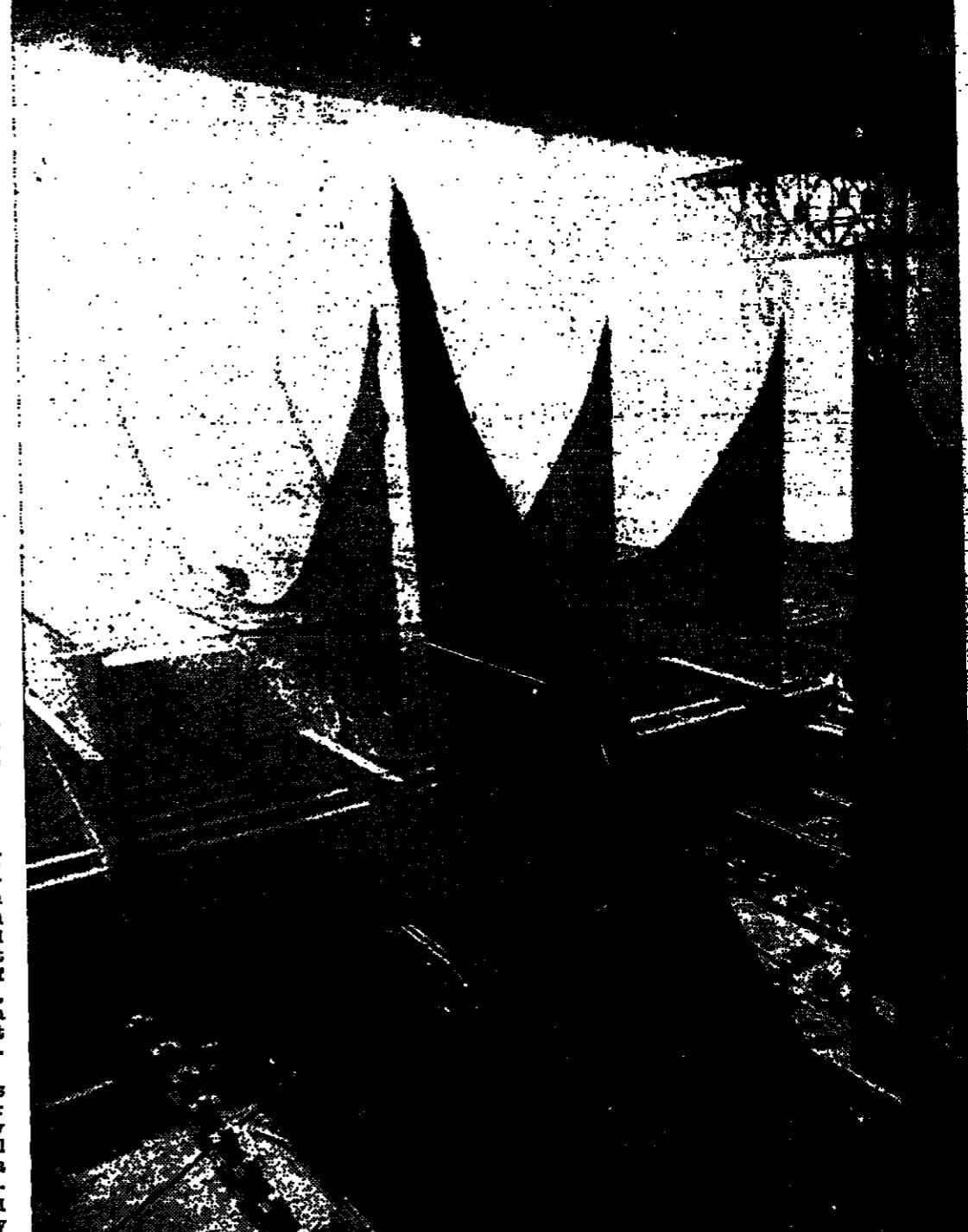
The office-equipment field is booming, with more and more firms entering it. In 1960, sales were 12.6 billion yen. Now they have topped 664.7 billion, with 55.4 percent of that involving small electronic calculators.

Competition

Canon, Ricoh and Sharp Electronics are the biggest manufacturers of electronic calculators. There is strong competition to make smaller and cheaper models. In fact, when a little-known firm, Omron Tateishi, introduced a tiny model costing 48,800 yen last May, that was some 18,000 yen cheaper than the next lowest-price model, and a price war ensued. It resulted in an agreement by all makers to set price floors for similar export models.

The Japanese have employed their widely respected technological ingenuity to develop a market for what they call their calculators with a "new face."

In 1964, when everyone else was just introducing calculators with



Sam Lee Jones

Shipbuilding Turns 'Sluggish'

URAGA TOWN, Kanagawa Prefecture (IHT)—"At the moment, shipping activities are sluggish, so we are waiting to see," said Shigetatsu Ueda, general manager of the Sumitomo Shipbuilding and Machinery shipyard here at Uraga Town, south of Tokyo.

"Owners are not as enthusiastic as before because of lower cargo rates," said Mr. Ueda. "Most of them seem to be waiting for specific cargo assignments before ordering new ships. But the demand for giant tankers still exists, but for the smaller ships, owners are not so keen."

Despite a sharp slump—in August only one new ship was ordered by a foreign owner from Japanese shipyards—most shipbuilders do not express pessimism about the future. Why should they? They have building contracts extending through 1974, and a few even have contracts for delivery in 1975.

The greatest problem for shipbuilders is a loss

of some 2,000,000 million yen involved in dollar contracts on deferred payments over 7-8 years, which were prevalent until 1970, when yen-based contracts were introduced.

Shipbuilders are asking the government to provide some kind of relief in the face of such losses, hopefully in the form of grants or tax reductions, or any measure which will help them.

Large Reserves

Despite the pleas, shipbuilders as well as every other export-oriented Japanese business have had built-in internal reserve commitments on income, all with the approval of the Tax Agency since 1966. Such phrases as "voluntary earned surplus reserve," "provision for price fluctuation" and "special allowances, tax-deferred for incentive overseas opera-

tions" began cropping up in annual financial reports. Thus, since that time, tremendous reserves have been created within the corporations as a hedge against the change in the value of the yen.

Shipowners, pointing to some 30 million tons of ships in operation around the world, complain about possible losses of over 1,600 million yen when the current monetary crisis is settled. But at the Sept. 30 and of the first half of the current fiscal year, most of them reported rising income, continued dividend payments at the same percentage as the previous six months and only a slight drop in recurring profits. Other problems facing both owners and builders include such things as an acute shortage of labor, overcharterage of foreign-owned ships, losses of about 5,942 million yen because of the U.S. West Coast dock strike and losses from the long suffering tramp market.

Changing Times

During the 1969 boom in world shipping, Japanese owners began chartering every available ship to handle the nation's rising imports of natural resources. But when the recession set in during 1970, the owners had over 17 million dead-weight tons on charter from foreign owners, in addition to the world's largest fleet, Japan Line, Daishi Chuo Kisen and Show Line all are "in an awkward position" of overcharterage, making attempts to sub-charter ships wherever they can.

Rising insurance rates on bottoms, up some 47 percent from 1968 on all types of ships, have eaten into owners profits. And what is predicted as a "Pacific container war," much like that in the North Atlantic, is staring everybody in the face.

Manufacturers expect domestic sales of 11 million units less than the goal of 2.7 million for 1971. Exports for the year will probably total 990,000 units, well below the goal of 1.7 million or more.

This could lead to a new price war.

Domestically, the manufacturers want the Japanese to become as calculator-conscious as they are camera-prone. There's no reason why every household that has a camera or two shouldn't have a small, low-price calculator for kitchen accounting, the industry feels.

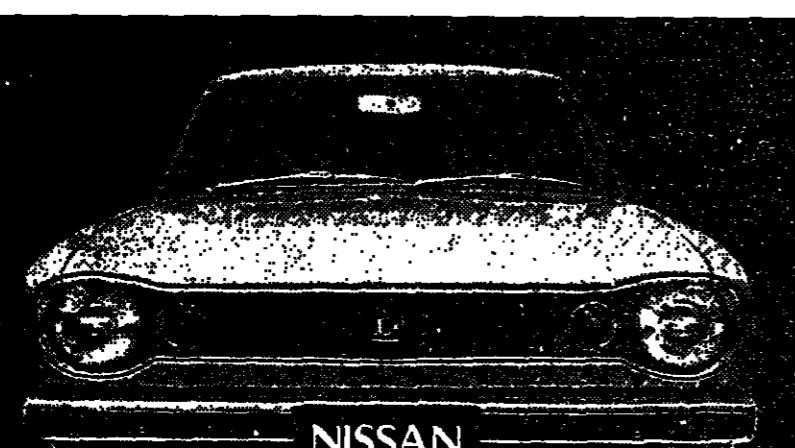
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Extract from the Managers' Report for the period to 30th June, 1971

"In the quarter which has just ended the net asset value has advanced to \$12.75 per share from \$10.57 at the 31st March. Overall, from 31st December, 1970 the net asset value has advanced from \$9.13 to show a 39.65% gain against a 34.62% gain for the Tokyo New Stock Exchange Index over the same period."

Berry Pacific Fund Limited is an Investment Company incorporated in Bermuda. The Fund has invested the major part of its assets in Japan. The primary objective is capital growth. Copies of the full Report can be obtained from: G.T. Management Ltd., St. Martins House, 16 St. Martin's-le-Grand, London, E.C.1

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The Auto Industry: Success After Success

TOKYO (UPI) — When U.S. Treasury Secretary John B. Connally came to Japan early in the world monetary crisis, the tall Texan made a plaintive pitch for compact American cars, launching what is called here "the Pronto war."

The American-made Pinto sells for about \$2,800 in the United States but retails at more than \$3,000 here, Mr. Connally complained at a news conference.

His complaint about this example of alleged Japanese protectionism brought an outpouring of explanations by the government and from Japan's auto industry, whose compact cars have registered sales gains of 216 percent on the American market in the past year.

The Japanese found fault with the Pinto, and by extension with similar U.S. compacts, because of

• Size—the Pinto has one-half cubic centimeter too much in its 2,000-cu. engine and is two inches too wide, and its size, weight and engine capacity place it in the 50-percent commodity-tax category, they said.

By contrast, they noted, the Volkswagen, which sells very well in Japan, is in the 15-percent commodity-tax bracket.

• Shipping—the Americans, the Japanese noted, don't have auto bulk carriers, special ships in which the Japanese and the Germans move cars around the world, and this lack raises the Americans' shipping costs.

• Dealer distribution—the Japanese said that a very small number of exclusive dealers distribute American cars here and to keep profits high, allegedly overcharge their customers.

• Refitting requirements—U.S. cars are not built to meet Japan's requirements and, after arrival here, must be refitted to Japanese standards, adding further to the imports' costs.

The Japanese gave a number of reasons for their auto's success in the United States.

Their most repeated argument is that they developed a special product for a special market, after effective market research. They produced cars for sale in foreign countries only, auto's which are not seen on Japan's domestic market. They thus employed the same special-products approach

as their colleagues in the Japanese radio and television-set industry and other export manufacturers.

"We build cars in Japan to meet the American market," one Japanese authority said. "Before they are shipped from Japan, they can be driven on American roads without refitting."

These cars were developed at a time when American manufacturers were ignoring the compact market in the United States, the Japanese say. What's more, they add, they produced a car which would sell in America, a car with improved performance, that were comparatively low-priced, that could be shipped economically in bulk vessels and that found competition only from European vehicles imported by the Americans.

The Statistics

Sales statistics justify the Japanese manufacturers' pride. Toyota, the largest of 11 Japanese auto makers, sold 768,287 units abroad in 1971, a surge of 63.2 percent over 1970. More than 45 percent of its foreign sales were in the United States. Nissan, which makes Datsun and is this nation's second largest auto maker, sold 631,305 units abroad in 1971, 59.7 percent above its 1970 total.

For trucks of all sizes, exports at the end of 1971 were expected to total 300,000 units, a 30-percent growth since 1966. One category, pickup trucks, showed a particularly remarkable surge—from 22,000 units in 1966 to 62,000 units in just the first nine months of 1971. And only two Japanese manufacturers, Toyota and Nissan, were exporting pickups.

Another special product of the Japanese auto industry is the small-capacity forklift. Powered with ordinary auto engines not requiring special assembly lines, they don't compete with the heavy-capacity forklifts produced in America. Because the small Japanese forklifts are selling well in 100 foreign countries, especially in the Common Market nations, U.S. manufacturers, whose large-capacity products served as models for the Japanese forklifts, are now turning their

attention to this field. Total foreign sales of the Japanese exports were expected to be about 69,000 units for 1971.

Similarly, the Japanese avoid competition with existing U.S. products in another auto industry field—motorcycles. Japan exported 1,141,228 two-wheel vehicles in the first six months of 1971, more than 70 percent of them to America. Few were as highly powered as the American firms' specialities, motorcycles of 750-cu. or more.

Midwest Open

Japan's auto exports to Europe have grown, too, but not as spectacularly as their hold on the American market. In the first nine months of 1970, this country shipped 126,000 four-wheel vehicles to Europe; 152,000 units went European in the comparable period of 1971.

One aspect of the Japanese auto industry's future in America is especially bright—the prospects of developing sales in the Midwest, which has remained largely unexploited. The Japanese have concentrated their dealer networks on the more accessible East and West Coasts, where in 1971 they doubled the

number of outlets they had had the preceding year.

While sales prospects abroad remain favorable, the Japanese auto industry is worried about its domestic situation.

Sales of cars made in Japan have slumped. In the first 10 months of 1971, they were 2.2 percent below the comparable period of 1970.

Conversely, new-car registrations during that 1971 period—2,304,942 units—showed a 1.4 percent rise over the 1970 period, indicating that imports were denting the Japanese home market.

There was a small boom in new-car registrations in November, with the 317,764 units resembling a 22.8 percent rise over November, 1970. But in the first seven days of December, only 14,608 new cars were registered, less than half the total for that week in 1970. The drop occurred when new-car sales usually pick up because of year-end bonuses.

The December fall-off from 1970 was blamed on the "weight-tax shock" reaction to a new national tax, based on a car's weight, which took effect Dec. 1. The lowest rate is 5,000 yen for a small compact; a Cadillac Eldorado will carry a tax of 7

30,000 yen, in addition to other extra charges.

The auto industry here produced 5,454,535 cars in fiscal 1970, which ended last March 31, for a 12.5 percent rise over the preceding year. For the current fiscal year, industry leaders predict 6,287,000 units—with 4,723,000 being marketed at home and 1,565,000 for export. The total output represents growth over fiscal 1970, but nothing like the 12.55 percent annual growth of the recent past.

The fall-off in the growth rate represents concern over the domestic economy. Business here has been groggy since mid-1970 and was further hurt by the Nixon administration's dollar and trade crackdown of Aug. 15. Auto sales have suffered here, too, as business investment

Cutbacks

Toyota halved its plant investments for fiscal 1971 to \$8 billion yen and plans a 1972 cutback to 70 billion yen. Nissan will not expand on its fiscal 1971 investments of 70 billion yen. Mitsubishi Motors will have 204 billion yen available, about the same as the previous year. Hino Motors, principally a truck maker, will drop plant investments to 7

billion yen from a planned level of 8.5 billion. Such cutbacks began late in 1970 and early last year, predating the Nixon dollar-protection program.

In addition to its domestic-sales problem, the Japanese auto industry is worried about the new Clean Air Act passed by the U.S. Congress. Manufacturers here doubt that they will be able to meet the stricter standards for auto exhaust that will be put into effect by the act in 1975, although Toyota is putting 10 billion yen into anti-pollution studies for 1972, and others are following suit. Additional problems for the auto industry arise from the situation in which Japan, like other auto-rich nations, finds itself—with an anti-car sentiment swelling because of rising high-

way deaths, traffic congestion, the need for more and more road improvements, the nuisance of parking tickets in the cities.

The opening, at mid-year in 1971, of the Japanese auto industry to foreign investment is not expected to have an immediate impact of great magnitude. General Motors is joining Isuzu Motors and Chrysler is tying up with Mitsubishi, but both those Japanese firms are comparatively small, and another minimizing factor is that the Americans are being allowed only a 35 percent share of the business.

Ford is having drawn-out talks with the little firm of Toyo Kogyo, and is reported not even close to final agreement. Toyo Kogyo makes the rotary-engine car here, and turned out its 200,000th unit last year.

Toyo Kogyo is planning to expand its production to 60,000 units monthly, instead of the present level of 45,000, and for that is going to spend 36 billion yen on plant expansion in fiscal 1972. It hopes to sell 30,000 cars monthly in America, where it plans to increase its dealerships from the current total of 150 to 250 in 1972. Last year, it sold 5,000 units a month in the United States.

Before the Clean Air Act takes effect in America and despite gloom over domestic business, the Japanese auto industry is in healthy condition and spirits.

Toyota, for example, became in 1971 the second "trillion yen" firm, after Nippon Steel Corp., the world's largest steelmaker.



On the assembly line of Nissan Motors' Tochigi plant, north of Tokyo. Sam Lee Jones

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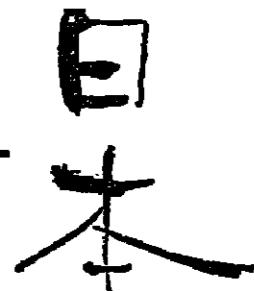
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The Trading for the Year on the Tokyo Stock Exchange

This is a list supplied by the Stock Exchange of Japan showing the issues traded on the Tokyo Stock Exchange in 1971. The high and low for the year are given and the date of the last day of trading in 1971 (December 28). The quotations are in yen.

High Low Last

FISHERIES

Hokko Fishing 100 54 105

Hokkaido Marine 125 57 127

Kyokuto 111 52 114

Nichiro Fisheries 124 62 124

Nippon Suisan 124 102 123

Taiyo Fishery 123 25 125

MINING

Arabian Oil 950 780 905

Hokkaido Colliery 38 28 35

Joban Coal 22 3 21

Minamishima Coal 114 45 104

Mitsui Mining 69 45 64

Nimatsu Mining 310 177 289

Sunshine Coal 32 16 25

Takio Coal 125 125 125

Tekikoku Oil 93 54 94

CONSTRUCTION

Ando Construction 322 141 249

Aoki Construction 424 259 533

Asanuma Gumi 244 215 263

Chiba Gumi 259 207 259

Del Nippon Dokoku 322 227 422

Delue Constr 365 201 223

Daiichi Constr 270 225 270

Daiwa House 725 535 535

Fudo Constr 427 190 190

Fujiko 215 102 172

Heiseiwa Komisen 314 214 232

Hitchi Plant Engin 465 365 409

Japan Development 865 285 445

Japan Gasoline 343 233 285

Kanto Dentki 408 220 220

Kinki Electric 537 380 470

Kumagai Gumi 671 261 280

Maeada Construction 1,085 545 640

Matsu Construction 213 115 167

Morinaga Confect 214 125 190

High Low Last

Mitsui Construction 270 168 225

Morinaga Milk 122 99 115

Mitsui Toosji Chem 31 31 39

Mitsui Pipe 94 10 10

Mitsubishi Koki 148 23 210

Nippon Steel 127 60 117

Mitsubishi Oils 116 62 57

Mitsubishi Pharm 62 42 57

Mitsubishi Steel 45 50 55

Mitsubishi Yakin Kogyo 148 34 152

Nissin Flour 143 50 143

Mitsubishi Carbide 109 50 109

Mitsubishi Chemical 76 48 76

Mitsubishi Iron & Steel 79 35 85

Mitsubishi Pacific Metal 102 43 125

Nippon Reizo 124 50 124

Mitsubishi Kasei Chem 104 44 104

Mitsubishi Metal 104 44 104

Mitsubishi Metal 104 44 104

Mitsubishi Matsushita 225 405 540

Nissin Flour 151 100 149

Mitsubishi Oils & Fats 122 44 124

Mitsubishi Steel 124 30 124

Mitsubishi Toto 107 55 77

Mitsubishi Toto 107 55 77

Nissin Oil 228 150 205

Mitsubishi Parkerizing 115 47 126

Mitsubishi Shinyaku 129 129 129

Mitsubishi Storage Btry 217 217 217

Mitsubishi Pacific Metal 102 43 125

Nippon Reizo 143 50 143

Mitsubishi Kasei Chem 105 44 105

Mitsubishi Metal 104 44 104

Mitsubishi Matsushita 225 405 540

Toto 203 145 212

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BUSINESS

Herald Tribune

Published with The New York Times and The Washington Post

INTERNATIONAL

PARIS, MONDAY, JANUARY 17, 1972

FINANCE

Eurobonds

A Credibility Gap Hits Europe, Fuels Demand for Non-Dollar Bonds

By Carl

PARIS, Jan. 16 (UPI)—A credibility gap hit Europe last week, throwing into question the new rates for the dollar on international exchange markets.

Doubts about the implementation of the Dec. 18 monetary agreement, wherein the Nixon administration promised to devalue the dollar in terms of gold, fueled the dollar's latest decline and raised the specter of a new crisis.

The administration bill, expected to have been submitted to Congress as soon as it reconvenes on Jan. 18, is to be presented early next month, presumably after the slow-moving trade negotiations with the Common Market have been completed.

While doubts spread about whether Washington will submit a bill if it does not receive what it considers satisfaction from Brussels—implying there would be no devaluation at all—the marketplace appears to be whistling that the dollar's reduction will be even bigger than contemplated. Obviously this is a paradox. But fear is not rational, and fear about the trade war that everybody thought had been dissipated on Dec. 18 appears to be rampant again.

For the Eurobond market, the new worries played out in familiar fashion: Non-dollar bonds, especially deutsche-mark issues, were in heavy demand.

A 100 million DM bond from Austria, announced mid-week, was reportedly oversubscribed in 24 hours. The mark has proved a good investment—two revaluations since 1969—and the current economic uncertainty in West

Germany has obviously not dimmed investors' confidence in the strength of the mark.

The issue is expected with a 7 percent coupon, down half a percentage point from the previous DM issue—and restoring the interest rate differential between DM and dollar bonds that had been eliminated in the glow of the Dec. 18 agreement.

On the secondary market, prices on non-dollar bonds climbed. In French franc issues, Air Liquide 3 1/8s were up 1 1/2 at 102 and the European Investment Bank 7 3/4s rose 1 to 101.

European currency unit and Unit of Account issues were up sharply, as were DM bonds.

Among the ECUs, the Ecu 7 1/4s were up 1 3/4 at 99 3/4 and South Africa 8s rose 1 1/2 at 100 3/4.

Heavy turnover in UAs pushed South Africa 8s 3/4s up 2 3/4 to 104 1/2 and Ecucom 8 1/4s rose 4 at 98 1/2.

For dollar bonds, the expectation that interest rates are headed lower balanced out concern about currency rates and prices held firm.

On the new issue side, activity continues at a brisk pace, causing some concern that the market could become clogged.

The biggest issue announced last week was for \$50 million from Britain's Imperial Chemical Industries. The bonds will be priced to yield slightly under 7 1/2 percent, issue managers S.G. Warburg report.

Given the indignation expressed by bankers about the cutting of indicated coupons in recent weeks, the wording maximizes

the options and eliminates its exposure to criticism of coupon cutting. The wording could mean pricing at a discount with a 7 1/4 percent coupon or at a

Economic Indicators

WEEKLY COMPARISONS

	Latest	Week	Prior	Week	1971
Commodity Index	110.5	108.2	108.5		
Currency in circ.	\$56,889,000	\$61,026,000	\$58,654,000		
Total Loans	\$55,375,000	\$56,075,000	\$53,666,000		
Steel prod (tons)	2,153,000	2,004,000	2,113,000		
Auto production	178,433				
Dairy oil prod (bbls)	8,364,000	8,255,000	10,040,000		
Freight car loadings	429,600	388,818	447,368		
Electric Pow. kw-hr.	32,352,000	29,533,000	31,120,000		
Business failures	162	119	214		

Statistics for commercial-agricultural loans, carloadings, steel, oil, electric power and business failures are for the preceding week and latest available.

MONTHLY COMPARISONS

	Dec.	Prior Month	1970
Employed	83,133,000	80,022,000	78,412,000
Unemployed	5,216,000	5,150,000	5,145,000
Money supply	\$227,100,000	\$227,400,000	\$213,100,000
Industrial production	107.0	108.2	102.6
Personal income	\$578,000,000	\$572,500,000	\$575,900,000
Exports	\$3,153,700	\$2,702,700	\$2,499,200
Imports	\$3,360,900	\$3,531,200	\$3,428,900
Consumer's Price Index	122.6	122.4	118.5
Construction contracts	155	137	130
Mfr. inventories	\$106,720,000	\$106,740,000	\$106,530,000

*000 omitted. Figures subject to revision by source.

Commodity index based on 1967=100; the consumers price index, based on 1957=100. Industrial production is Federal Reserve Board's adjusted index of 1967=100. Money supply is total currency outside banks and demand deposits adjusted as recommended by Federal Reserve Board. Business failures compiled by Dun & Bradstreet. Construction contracts are compiled by the F. W. Dodge Division, McGraw-Hill Information Systems Company.

Warburg's options and eliminates its exposure to criticism of coupon cutting. The wording could mean pricing at a discount with a 7 1/4 percent coupon or at a

Stock Market's Upward Thrust Falters a Bit But the Spirit of Optimism Is Little Affected

By Thomas E. Mullany

have begun to wonder how much better it will turn out to be.

On the surface at least, some

of the recent economic data have not been very encouraging. The stickiness of the unemployment rate for instance, is rather disconcerting. It moved up to 6.1

percent in December.

And the fact that total retail

trade, on a seasonally adjusted

basis, actually slipped 2 percent

in December from November's

volume was viewed with disapp

pointment in some quarters, as

were the slow pace of interna

tional trade negotiations, the re

newed pressure on the dollar in

European foreign exchange mar

ket and fears over the reception

Congress will give the adminis

tration's proposal to raise the price

of gold when a bill is presented

next month.

In last week's news also there

were the disappointing reports

that wholesale prices, as expect

ed, resumed their rise in the first

month after the freeze—jumping eight-tenths of 1 percent

in December—and that figures

on the gross national product for

both the second and third quar

ters of last year had been revised

downward.

These negative aspects of the

economic scene, however, seem to

be heavily offset by the positive

developments. Auto sales are still

rising, and so is general retail

business. Inventory accumulation

seems finally to be accelerating

the expansion of the economy in

real terms is now growing and a

capital-spending boom is appar

ently getting under way.

Averages Fall Off

Amex and Over-Counter

By Alexander R. Hammer

NEW YORK, Jan. 16 (NYT)—Stepped-up profit-taking braked the Over-the-Counter Market but both lists still managed to finish the week in the win column.

However, their gains were considerably less than in the preceding seven consecutive weeks that advances outnumbered declines.

Brokers said they welcomed the increased profit-taking since

many of the issues were overpriced following the market's recent upswing.

They attributed most of the strength to the continuing

improvement in interest rates and accommodative fiscal and monetary policies in a presidential election year.

Good Times Ahead

With such an array of favorable factors to contemplate, investors have not been deflected to any great extent from the view that 1972 will prove to be a markedly better year than 1971, although some commentators

have begun to wonder how much

better it will turn out to be.

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not been very encouraging. The

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trade, on a seasonally adjusted

basis, actually slipped 2 percent

in December from November's

volume was viewed with disapp

pointment in some quarters, as

were the slow pace of interna

tional trade negotiations, the re

newed pressure on the dollar in

European foreign exchange mar

ket and fears over the reception

Congress will give the adminis

tration's proposal to raise the price

of gold when a bill is presented

next month.

In last week's news also there

were the disappointing reports

that wholesale prices, as expect

ed, resumed their rise in the first

month after the freeze—jumping eight-tenths of 1 percent

in December—and that figures

on the gross national product for

both the second and third quar

ters of last year had been revised

downward.

These negative aspects of the

economic scene, however, seem to

be heavily offset by the positive

developments. Auto sales are still

rising, and so is general retail

business. Inventory accumulation

seems finally to be accelerating

the expansion of the economy in

real terms is now growing and a

capital-spending boom is appar

ently getting under way.

After seven consecutive weeks

of gains, most of the leading

stock market averages turned

slightly

Cowboys Defeat Dolphins in Super Bowl, 24-3

Dallas Rushes for 252 Yards; Staubach Passes for 2 Scores

From Wire Dispatches

NEW ORLEANS, La., Jan. 16. Roger Staubach led the Dallas Cowboys to a 24-3 victory over the Miami Dolphins in Super Bowl VI today.

Passing for two 7-yard touchdowns to Lance Alworth and Jim Dittka — and flawlessly leading a ground attack that set a Super Bowl record of 252 yards gained, Staubach did what no other quarterback has been able to do for the Cowboys in their 12-year history — wipe out the elusive “can’t-win-the-big-game” label. Last year Dallas lost the Super Bowl to Baltimore.

But with Staubach calling signals from the Cowboys’ multiple options and with plays sent in by coach Tom Landry, the Cowboys reached off their 10th consecutive victory in a season-long streak that has carried the National Football Conference champions to the National Football League crown.

Staubach Most Valuable
Staubach was voted the “most valuable player” award.

But it was the Dallas running back which completely dominated the action, smashing the Super Bowl record of 180 yards by the Green Bay Packers in 1968. The Cowboys set an

eynaldo Brown Tops Matzendorf

Keino Wins Mile in 3:59.4; McGrady Returns, Takes 600

By Neil Amdur

COLLEGE PARK, Md., Jan. 16 (UPI) — Almost effortless, it was Keino’s first race in three months. Kipchoge Keino shot

red 4 minutes in the mile for the first time indoors Friday

Dredged on by a roaring record

of 11.125 in Cole Field

house, the 31-year-old Kenyan

national and Olympic champion

achieved 3 minutes, 59.4 seconds,

ending a 57-day final quarter-

rangle that left five rivals, includ-

ing Juris Lutkus, far behind.

Keino’s performance highlighted

the fifth and most successful

National Invitation track meet

that also saw the triumphant return of Martin McCrady, the

giant of the boards.

McCrady, the world record-

holder at 600 yards, resumed

his specialty with

convincing 5-yard victory over

Tommy Turner, Jay Elbel and

Evans. McCrady’s time,

58.2, was almost as impressive

as this early in the season as

Keino’s mile.

Reynaldo Brown, Tom Blair

and Adelphi’s superb mile-relay

team topped the remarkable start

the indoor season with record

performances.

Brown, national outdoor high-

jump champion, cleared 7 feet 4

in his second attempt, taking the second-best indoor

performance ever.

Second in the high jump was

mid-record holder Pat Matzendorf

Wisconsin, who cleared 7-1.

Blair, the Pennsylvanian pole

slater, cleared 17 feet on his

st jump, the finest effort by

Eastern collegian, indoor or

outdoor.

Blair then cleared 17-2 1/2 on

his last attempt.

Keith Davis, Larry Ross, Den-

Walter and Clyde McPherson

wrote Adelphi into the record

books with a mile-relay time of

17.7, the fastest time ever on

the Adelphi track.

No runner has ever run a

sub-four-minute mile in

this early in the season.

Then, Keino has few peers

as a world-class athlete.

He arrived in New York early

Friday morning after a tedi-

ous 18-hour flight from Africa;

to Washington; slept 13

hours; worked out briefly this

morning, and then gave Jim

run and Marty Liquori his

United States Olympic rivals,

Hutchwoman
akes European
peed Skating

NEUEN, West Germany, Jan. 16 (UPI) — Atje Keulen-Dekstra the Netherlands today won European women’s speed skating championship with a world four-event combined total of 182.805 points.

Mr. Keulen-Dekstra, a mother of three children and at 33 the oldest competitor at Inzell, bettered the record of 182.817 points held by countrywoman Stien Baars.

The Dutchwoman finished third in the final event, the 500 meters, to take the title and unseat the defending European and world champion, Russia’s Nina Stakerich, who was third with 183.385 points. Miss Stakerich won the 3,000 meters, it was not enough. Third Russia’s Ludmilla Savchenko 1.183.443 points.

Mr. Atje Keulen-Dekstra

in the 1,500 meters and placed

10th in both the 500 and 1,000-

meter events.

Other Super Bowl record with 22 first downs—an important achievement because it gave them fantastic ball control. In all, the Dallas attack rolled for a total of 352 yards.

Deane Thomas, the silent but explosive running back of the Cowboys, carried 19 times and gained 95 yards while Walt Garrison carried 14 times for 74 yards.

Staubach passed 19 times and completed 13 for 119 yards.

Just about the only mistake Dallas made all day came with less than two minutes to play when Calvin Hill fumbled from the Miami 3-yard line. It wrecked what seemed like another sure Cowboy touchdown, but that time the game was long gone.

The Cowboys’ vaunted “Doomsday Defense” forced the Dolphins, the American Conference champions, into at least three key mistakes.

The first was a fumble by Dolphins running back Larry Csonka that led to the first score of the game—Mike Clark’s first-period 8-yard field goal. It was the only fumble all year by Csonka, and that turned out to be a bad omen.

Later came a pass interception by veteran Cowboy linebacker Chuck Howley that led to a fourth-quarter touchdown,

but he had just put the game on ice for the score was 17-3.

The Dolphins managed to stop Thomas for no gain on the next play, but Hill bullied for two yards to the 7. Then Staubach found Dittka, the veteran tight end, open in the right corner of the end zone and hit him neatly for the wrapup touchdown, 24-3.

Caro Yeremian scored Miami’s only points late in the second period on a 31-yard field goal.

Staubach, with the score 3-0, Yeremian got a tough chance to tie it in the second period when he tried a field goal from the Cowboy 49. But the boot by the left-footed Cyprout was way short.

Just a few minutes later came the first Dallas touchdown, as it turned out the only additional score the Cowboys were going to need.

This was an 11-play drive, covering a total of 76 yards, that ended with Staubach’s scoring pass to Alworth. It was a combination of Thomas’ running and Staubach’s passing that got the drive rolling and then the injured Hill, subbing for Thomas, came on for three clutch runs for 25 yards that put the ball on the Miami 7 with a first down.

With the Dolphins apparently looking for another running play, Staubach passed to Alworth just across the goal line at the flag on the left side, Alworth taking the ball right in front of defender Curtis Johnson. It was only the second touchdown pass caught all year by “Bambi” Alworth, one of the top receivers in the game who had been injured early in the year.

Feuerbach, the world indoor record-holder in the shot-put, said he “wasn’t paying” for his effort. But Feuerbach still managed a respectable put of 67 feet 1 inch for his 24th birthday.

Feuerbach, “considered” a strong medal prospect in Munich, So. and Rod Milburn and Willie Davenport, who finished second in the 60-yard high hurdles.

Milburn, Davenport’s prodigy and world record-holder, won in 7 seconds and extended his string of victories. The 21-year-old from Southern University in Baton Rouge, La., has not lost a race since the summer of 1970.

In other results:

500-Yard Hm—1. Tom Von Ruden, Pacific Coast Club, 1:01.5; 2. Mark Winters, New West, 1:02.3; 3. Brian McFerry, Villanova, 1:02.4.

500-Yard Em—1. Garth Case, Nebraska, 0:56; 2. Edsel Garrison, Southern California, 0:56; 3. Clyde Moore, Emory, 0:56; 4. Barry Brown, Florida T.C., 0:56; 5. Jerry Pearce, Pacific Coast Club, 0:56; 6. Frank Skinner, Florida T.C., 0:57.

Davenport Beats Milburn

From Wire Dispatches

ALBUQUERQUE, N.M., Jan. 16. — Olympic champion Willie Davenport turned the hurdles on his protege, Rod Milburn, at the Albuquerque Jaycees Invitational indoor track meet last night. Davenport won the 60-yard highs in 7 seconds flat to end Milburn’s winning streak at 25.

Milburn finished third, behind former NCAA champion Paul Gibson, as the first three were

in a statistic to ponder. It was

Keino’s first race in three months.

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